

CITY OF MIAMI
OFFICE OF AUDITOR GENERAL



**AUDIT OF THE COMMUNITY
REDEVELOPMENT AGENCY**

AUDIT NO. 04-008

Prepared By
Office of Auditor General

Victor I. Igwe, CPA, CIA
Auditor General

MARIE B. SEVERE, CPA, CIA, SENIOR STAFF AUDITOR
MIGUEL A. VALENTIN, CPA, SENIOR STAFF AUDITOR

City of Miami

VICTOR I. IGWE, CPA, CIA
Auditor General



Telephone: (305) 416-2040
Telecopier: (305) 416-2046
E-Mail: iag@ci.miami.fl.us

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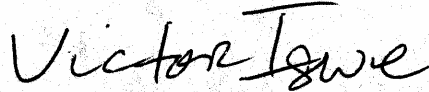
Honorable Members of the
City Commission
City of Miami
3500 Pan American Dr.
Coconut Grove, FL. 33133-5504

Re: Audit of the Community Redevelopment Agency
Audit No. 04-008

At the City Commission meeting of March 27, 2003, the City Commission passed and adopted Resolution number 03-324, which directed the Office of Internal Audits (now known as Office of Auditor General) to conduct a full and complete audit of the City of Miami Community Redevelopment Agency (CRA). The Resolution directed that the audit include but not limited to specific concerns as set forth in the Resolution.

The audit included examination of financial transactions, operational, compliance with applicable Sections of the Florida Statutes, Redevelopment Plans and other guidelines. Our audit focused on the activities and/or transactions that were authorized and processed during the period of October 1, 1998, through September 30, 2002, and selected transactions/controls through August 1, 2003.

Sincerely,



Victor I. Igwe, CPA, CIA
Auditor General

C: The Honorable Mayor Manuel A. Diaz
Joe Arriola, Chief Administrator/City Manager
Carlos McDonald, Acting Chief of Staff, City Manager's Office
Members of the Audit Advisory Committee
Frank Rollason, Executive Director, Community Redevelopment Agency
Larry Spring, Chief of Strategic Planning, Budgeting and Performance
Linda M. Haskins, CPA, Chief Financial Officer/Deputy Chief Administrator
Peter W. Korinis, Chief Information Officer
Alicia Cuervo-Schreiber, Chief of Operations
Alejandro Vilarello, City Attorney
Donald Riedel, Director, Office of Citistat
Priscilla A. Thompson, City Clerk
J. Scott Simpson, CPA, Director, Finance Department
Barbara Gomez-Rodriguez, Director, Community Development
File

File

**AUDIT OF COMMUNITY REDEVELOPMENT AGENCY
FOR THE PERIOD OCTOBER 1, 1998, THROUGH SEPTEMBER 30, 2002.**

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INTRODUCTION

Section 163.335(5), Florida Statute, provides that “Tax Increment Financing” is an effective means of preserving and enhancing the tax base in areas in which tax base is declining; and Community Redevelopment in such area, when complete, would enhance such tax base and provide increased tax revenues to all affected authorities, increasing their ability to accomplish their respective purposes. Tax increment financing (TIF) is a funding source for redevelopment, which freezes the tax base at a time certain and recaptures the increases in property taxes generated after that date to be spent on projects within the Community Development Area. Section 163.335(9), Florida Statute, states: “Community redevelopment or redevelopment means undertakings, activities, or projects of a county, municipality, or community redevelopment agency in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight, or for the reduction or prevention of crime, or for the provision of affordable housing, whether for rent or for sale, to residents of low or moderate income, including the elderly, and may include slum clearance and redevelopment in a community redevelopment area or rehabilitation and revitalization of coastal resort and a tourist area that are deteriorating and economically distressed, or rehabilitation or conservation in a community redevelopment area, or any combination or part thereof, in accordance with a community redevelopment plan.”

Pursuant to the provisions of Section 163.387 of the Florida Statutes, the Southeast Overtown/Park West Plan (SEOPW) was established by City Commission Resolution number 82-755 on July 29, 1982. The said Resolution was amended in 1985 by Resolution number 85-1247, which added the Park West section to the Southeast Overtown District. Miami-Dade County adopted Resolution numbers 1677-82 and 96-85, and Ordinance number 82-115 approving the plan and tax increment financing for the SEOPW. On March 31, 1983, the City by Resolution number 83-187 and the County by Resolution number 467-83 in April 1983, entered into an inter-local agreement whereby the tax increment revenue assessed by the parties (City and County) would be deposited into a Trust fund to be used in accordance with an approved budget and for the benefit of the SEOPW.

By adopting Resolution number 86-868, the City Commission created in principle the Omni Redevelopment Plan. The County approved the tax increment financing for the Omni Redevelopment Plan through Ordinance number 87-47.

Pursuant to Section 163.340(9), Florida Statutes, “redevelopment” means undertakings, activities, or projects that would eliminate and prevent the development or spread of slums and blight, or for the reduction or prevention of crime, or for the provision of affordable housing, whether for rent or for sale to residents of low or moderate income including the elderly. In accordance with the provisions of Section 163.357, Florida Statutes, the City Commission is also the Board of Commissioners of the SEOPW-CRA and the Omni-CRA districts.

The records reviewed as part of this audit indicated that Southeast Overtown/Park West Community Redevelopment Agency (SEOPW-CRA) and the Omni Community Redevelopment Agency (Omni-CRA) disbursed a total of \$17 million of TIF and federal funds during the audit period October 1, 1998, through September 30, 2002. The amounts disbursed during each of the four fiscal years ranged from \$1.8 million to \$6.8 million. Our audit included procedures to determine whether selected expenditure transactions were consistent with the objectives articulated in the community redevelopment plans for the SEOPW-CRA and OMNI-CRA as shown on exhibits I and II, on pages 129 through 132.

SCOPE AND OBJECTIVES

The proper administration of public funds requires an agency to establish and maintain internal controls that would reasonably ensure that the agency achieved its primary objectives/responsibilities as mandated by the Florida Statutes and other applicable guidelines. As part of its oversight responsibilities, the Office of Auditor General (OAG) performs financial, operational, performance, and compliance audits to determine the extent of compliance with those objectives. The audit included an examination of certain financial transactions, operational, and compliance related issues. The examination covered the period of October 1, 1998, through September 30, 2002. In general, the audit focused on the following 6 objectives:

- To evaluate the effectiveness of internal control as it relates to the processing of financial transactions including contracts, grants and loans.
- To determine whether selected expenditures and other transactions were properly authorized, documented, economical, and served a public purpose.
- To evaluate the internal controls relating to the hiring process, including adequacy of staff and credentials to perform the assigned tasks.
- To determine whether grant-funded projects are properly accounted for, monitored, and documented.
- To evaluate the internal controls relating to the status of capital projects/contracts, including adequacy of project files, compliance with the terms of contracts, requests for services, work orders, notices to proceed, change orders, draw downs, close out of projects and deliverables.
- Other audit procedures as deemed necessary.

METHODOLOGY

We conducted our audit in accordance with generally accepted government auditing standards and applicable standards contained in the *Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors. To obtain an understanding of the internal controls, we interviewed appropriate personnel, reviewed applicable policies and procedures, and made observations to determine whether effective controls were in place. The audit methodology included the following:

- Obtained sufficient understanding of the internal control policies and procedures and determined the nature, timing and extent of substantive tests necessary and performed the required tests.
- Determined compliance with all the objectives noted on page 3.

AUDIT FINDINGS IN BRIEF

CITY OF MIAMI COMMUNITY DEVELOPMENT DEPARTMENT

QUESTIONABLE USE OF FEDERAL GRANT MONIES.

During the audit period (October 1, 1998, through September 30, 2002) the City's Community Development (CD) department reimbursed invoices totaling approximately \$3.7 million in connection with CRA related projects and services/activities. Our review to determine the propriety of the reimbursements that were made with Community Development Block Grant (CDBG) monies disclosed the following compliance deficiencies:

LACK OF MONITORING, REPORTING OF CRA PROGRAM PERFORMANCE, AND/OR OMB CIRCULAR A-133 AUDIT.

- Our audit disclosed that the CD department did not monitor and/or prepare a program performance report on CRA's use of CDBG monies as required by Title 24 CFR Part 85.40. During the audit period we noted that CDBG monies were allocated (budgeted) for various CRA related projects, and as expenditures were incurred by CRA, it submitted the supporting source documents/invoices to the CD department for reimbursement. The funds allocated were simply disbursed through reimbursement upon submission of invoices and/or other records.

OMB Circular A-133 (Audit of Institutions of States, Local Governments and Nonprofit Institutions) requires all recipients and subrecipients that expend \$300,000 or more in a year of federal awards to obtain a single or program audit. During the audit period the CDBG monies that were disbursed to CRA vendors in connection with CRA related activities/programs ranged from \$372,000 to \$2,300,059 annually. However, neither a single nor program audit was performed.

CDBG MONIES WERE USED TO PAY FOR LOBBYING.

- Office of Management and Budget (OMB) Circular A-87, Section 27 titled, “Lobbying” states: “The cost of certain influencing activities associated with obtaining grants, contracts, or loans is an unallowable cost.” However, our audit disclosed that a total of \$76,851.39 of CDBG monies was paid to Holland and Knight LLP (HK) in connection with a lobbying activity, which was performed on behalf of CRA.

CDBG MONIES WERE USED TO PAY FOR GENERAL GOVERNMENT EXPENSES.

- OMB Circular A-87, Section 23 titled, “General Government Expenses” states: “The general costs of government are unallowable.” Also, the provisions of Section 4.1 (b) of the inter-local cooperative Agreement between the City, SEOPW-CRA, and OMNI-CRA executed as revised on March 13, 2000, provides that CRA shall not use any CDBG funds received from the City for administrative expenses (as defined in 24 CFR Part 570), without the prior written approval of the City Manager. The Miami CRA shall use funds received from other sources for any necessary administrative expenses. Our audit disclosed that approximately \$281,118 of CDBG monies were paid to Holland and Knight, LLP (HK) relative to administrative services such as attending CRA staff meetings; preparing agenda packets for distribution; preparing for and attending every CRA Board meeting; telephone conferences with staff regarding the engagement of external auditors. Such activities/services are purely administrative in nature.

CDBG MONIES WERE USED TO PAY FOR CRA ADMINISTRATIVE STAFF SALARIES EXPENSES.

- OMB Circular A-87, Section 23(2) and the inter local agreement between the City and CRA prohibits the use of CDBG monies for administrative services. However, our review of the source documents supporting CRA expenditures that were reimbursed with CDBG monies, disclosed that during the fiscal year October 1, 1999, through

September 30, 2000, approximately \$491,000 of CDBG monies were used to pay CRA administrative staff salaries.

THE USE OF CDBG MONIES FOR PROCUREMENT OF GOODS AND SERVICES.

- Title 24 Part 85, Section 36(b) of the United States Code of Federal Regulation provides that grantees and sub-grantees should adhere to the local laws or rules that regulate their procurement procedures. We noted that CRA is not required to follow the City's codified procurement guidelines, which mandates competitive bidding. However, our audit disclosed that a total of \$327,409.73 of CDBG monies was processed and disbursed to various vendors during the period November 2000 through January 2001, without any procurement rules, policies, procedures and/or guidelines that would ensure that the prices paid are reasonable and consistent with the quality of services rendered or goods purchased.

SOURCE DOCUMENTS SUPPORTING THE DISBURSEMENT OF CDBG MONIES COULD NOT BE LOCATED.

- The CD department and/or the CRA were unable to locate the invoices or other supporting source documents for disbursements totaling \$136,114.80.

COMMUNITY REDEVELOPMENT AGENCY

THE USE OF TAX INCREMENT FINANCING (TIF) MONIES FOR PROCUREMENT-SIGNIFICANT CONTROLS DEFICIENCIES.

During the audit period October 1, 1998, through September 30, 2002, approximately \$17 million was disbursed for various goods/services including consulting. As noted on page 7, CRA did not implement formal and consistent procurement rules, policies, procedures and/or guidelines. The implementation of a formal and consistent procurement procedure such as competitive bidding along with an executed written agreement, prior to the acquisition of goods and/or services, would ensure that the prices paid are reasonable and consistent with the quality of services rendered or goods purchased. A written contract is legally binding and holds the contractor/consultant accountable for delivering quality services/products and also includes methods to be used to compensate the vendor/consultant. Our audit disclosed the following procurement control deficiencies:

THE USE OF TIF MONIES FOR PROCUREMENT OF GOODS AND SERVICES.

- As part of our audit we reviewed the procurement process to determine the propriety and economical use of public funds. We reviewed a sample of 21 procurement transactions, which ranged from \$2,377 to \$1.9 million and totaled \$6.8 million. Our test disclosed that CRA obtained written quotations, bids, and/or request for proposals for 6 procurement transactions totaling \$5 million, however, bids, request for proposals, and/or written contracts/agreements were not obtained or executed for 15 procurement transactions, totaling \$1.8 million.

LEGAL FEES.

- CRA records indicated that it disbursed approximately \$922,357 to Holland and Knight (HK) during the audit period. Approximately \$781,136 of the \$922,357 was for services performed and the balance totaling \$141,221 was held in trust and used to pay for the purchase of land/property and other CRA related transactions. Additionally,

\$149,611 was paid to six other law firms for lobbying, update of redevelopment plan, preparation of SEOPW development regional impact, and other legal services. The ratio of the legal fees compared to the total expenditures during the audit period ranged from 2% to 6%. Our audit disclosed the following:

- CRA records indicated that HK started providing legal services to CRA since 1989 (13 years ago) and the process used to select HK was not evident from the records reviewed. During the audit period there was no formally executed written agreement between CRA and HK except for an engagement letter for professional legal services written by the City Attorney to a HK partner, dated November 9, 2000, which was countersigned (accepted) by the partner. The said engagement letter, which was not ratified by the CRA Board, indicated that the Firm shall bill partners at the rate of \$250 per hour, associates at the rate of \$175 per hour and legal assistants at the rate of \$95 per hour. Prior to the execution of the engagement letter dated November 9, 2000, the rate that HK billed for partners per hour ranged from \$290 to \$335; the rate per hour for associates ranged from \$120 to \$195; and the rate per hour for legal assistants ranged from \$100 to \$110. There is no document to evidence CRA Board's consideration and approval of the rates charged prior and subsequent to the execution of the engagement letter. Also, the process used to select HK was not evident from the records reviewed.
- Our review of invoices for services performed during the period November 16, 2000, through September 30, 2002, disclosed that CRA was routinely billed for services such as attending CRA staff meetings; preparing agenda packets for distribution; preparing for and attending every CRA Board meeting; telephone conferences with staff regarding the engagement of external auditor. How the above activities constitute legal services as contemplated by the engagement letter were not evident from the supporting invoices reviewed. The said services were billed at the rate ranging from \$100 to \$335 an hour. For example

HK billed approximately \$36,765 (116.80 partner hours and 38.70 Legal Associate hours) for attending CRA Board meetings during the audit period.

- Our audit disclosed 18 instances of itemized legal services, totaling approximately \$109,729 that were invoiced and paid for by CRA during the period October 1, 1998, through September 30, 2002, which were not reviewed by the City Attorney prior to disbursement of payment.
- Our audit disclosed a duplicate payment totaling \$7,935.84. We noted that CRA paid for the same services twice with check number 323255, dated April 19, 2002. Upon audit inquiry, the said overpayment was reimbursed to CRA
- Our review disclosed that HK was reimbursed a total of \$7,896 of non-reimbursable costs (Copies, Westlaw Database, and Telecopy) incurred during the period of October 1, 1998, through September 30, 2002. Upon audit inquiry, the Executive Director stated that CRA will request reimbursement.
- We noted that a total of \$171,762 (\$21,762 in excess of the total amount authorized by the CRA Board) was disbursed to HK during the 2001 fiscal year.

DISBURSEMENT OF CONSULTING FEES.

- A written contract is legally binding and holds the contractor/consultant accountable for delivering quality services/products and also includes methods to be used to compensate the vendor/consultant. Our audit disclosed the following procurement control deficiencies:
 - CRA procured the accounting services of a Brian Hankerson/Hankerson Associates (consultants) and disbursed a total of \$92,116.60 to the consultant without CRA Board consideration/approval, and/or without written Agreement during the period September 2001 through June 2002. We noted that the

consultant's assistant was paid \$45 an hour as opposed to the \$40 an hour as agreed upon. The consultant's assistant was overpaid by \$1,626.75.

- Pursuant to an unwritten Agreement/Contract a former Executive Director of CRA was subsequently retained as a consultant (Judy Associates). CRA records indicated that Judy Associates was paid approximately \$206,800 in consulting fees during the period August 2001 through April 5, 2002 and January 2003 through April 2003. CRA records also indicated that the consultant was paid an additional \$172,650 (\$150 an hour), under the auspices or subcontractor of HJ Ross, Inc., during the seven months period of April 6, 2002 through October 2002. Absent an executed written agreement, which describes scope of services to be provided and the fees to be charged for each type of service, the quality of services rendered cannot be assessed and the reasonableness of the TIF monies disbursed cannot be determined.
- CRA engaged Vernon Clarke – Consultant to study bus stop locations and the physical conditions of bus stop benches and shelters citywide without any evidence of CRA Board's approval of the use of TIF monies for such study. Also, there was no written executed agreement with the consultant. The total TIF monies disbursed amounted to \$124,982 (2,403.50 hours x \$52 an hour).
- Pursuant to an unwritten agreement Reginald Gousse - Consultant was paid a total of \$5,200 for computer consulting services performed on January 22, 2002, and February 15, 2002. The invoice reviewed indicated that the consultant was paid \$1,000 for one hour of consulting services related to CRA email security. However, CRA uses citywide email system and the City of Miami's Information Technology department personnel are solely responsible for email security. The consultant was paid additional \$4,200 for another one hour of consulting services, which according to the invoice was in connection with CRA's Information Technology assessment. There is no evidence of CRA's Board approval. The said consultant subsequently became a part time CRA

employee and was paid an additional \$10,278, at an hourly rate of \$36 during four payroll periods. Furthermore, CRA records indicated that this consultant was paid additional \$23,320, at an hourly rate of \$80 during the period April 2002 through July 2002, as HJ. Ross, Associates, Inc. consultant.

- CRA records indicated that \$2,376.50 (67.9 hours x \$35 and hour) was disbursed to Arnold Lewis Mobley – Personal Computer Consultant for providing computer services to CRA. The supporting invoice did not describe the nature/extent of computer services provided. It appears that this vendor was not authorized to perform any services. See the current Executive Director's written response number 3 on pages 97 and 98.

PURCHASE VS. LEASE AND MISSING LAPTOPS.

- Pursuant to an unsigned municipal lease agreement between CRA and Gateway Companies, Inc. (Gateway), CRA leased 11 desktop and 2 laptop computers from Gateway Companies. The lease agreement was for a 36-month period beginning from October 1, 2000, through September 30, 2003, and the monthly lease payment is \$747.48. The rationale and/or the justification for leasing as opposed to the outright purchase of all the computers from Gateway were not evident from the records reviewed. A monthly lease payment of \$747.48 for 36-months would total \$26,909.28. If CRA decides to purchase the computers at the end of the lease period, CRA will have to pay to Gateway the purchase option price determined solely by Gateway. However, outright purchase of the same type and configuration of computers at the inception of the lease would have cost approximately \$14,474, which is \$12,435.28, less when compared to the leasing option. There is no evidence to indicate that this lease agreement was authorized by the CRA Board. Additionally two leased laptops are missing.

CAPITAL CONSTRUCTION AND IMPROVEMENTS.

CRA records indicated that it spent approximately \$3.5 million for capital construction projects and improvements during the period October 1, 1998, through September 30, 2002. The capital construction projects include five parking lot facilities, Margaret Pace Park improvements, facade renovations, and other improvements. In accordance with Section C of the inter-local Agreement between the City of Miami and Miami-Dade County titled “Project Financing” as amended, CRA is required to administer and manage funds as required by law. Section C of said Agreement requires CRA to develop and promulgate appropriate rules, regulations and criteria for financing CRA’s related projects and also to adhere to a County approved budget. Our review of CRA’s capital construction and improvement projects disclosed the following deficiencies and questionable disbursements:

LACK OF PROJECT COST ACCOUNTING SYSTEM.

- Our review of the project files pertaining to five parking lots with construction costs ranging from \$30,657.22 to \$444,602.86, disclosed no evidence of well defined management reporting, which is essential for effective monitoring of facilities acquisition, construction, and related activities. We noted that the project cost system currently utilized is not integrated with CRA’s automated accounting system. The information/data such as resolutions, contracts/agreements, budget documents, work orders are kept in separate files and records relating to expenditures filed by vendor. Additionally, the amounts disbursed for each project are accounted for and reported by vendor and not by project. Therefore, there is no single document that captures the total cost relating to a specific project.

CHANGE ORDERS INCREASED CONSTRUCTION COST OF PARKING LOTS.

- Pursuant to CRA Board Resolution number 00-106, which authorized the construction of parking lots 2, 3, and 4, TLMC Enterprises (TLMC) was selected as the lowest and responsive bidder for said construction project. CRA records indicated that TLMC offered to perform the construction project including demolition for \$422,300 while M.

Vila and Associates, the only other bidder offered to perform the same service for \$573,944. However, we noted that TLMC submitted 3 change orders totaling additional \$200,192 subsequent to the award of the contract for the project. As a result of the three change orders, the cost of the construction project totaled \$622,492, resulting in an increase of \$200,192 or 47% of the original bid price. Additionally, CRA requested enhancements to the three parking lot projects, which were not, included in the original construction contract specifications. The cost of the additional enhancements requested by CRA totaled \$278,224.11. Therefore, the construction cost of the three parking lots totaled \$900,716.11.

LACK OF BID SOLICITATION FOR PARKING LOT NUMBER 5 AND LACK OF QUOTATION FOR OTHER JOBS.

- Our audit disclosed that TLMC (see prior bullet) was subsequently engaged to construct parking lot 5 without the benefit of a competitive bid. The cost of this project including land, totaled \$153,731. This parking lot was subsequently sold for \$52,000 to J.E.J Properties. Additionally, we noted that TLMC was engaged to perform eight small jobs for a total cost of \$32,095, without soliciting quotations. The jobs include but not limited to drawings, cleaning, removal of railroad tracks along Grand Promenade, pre-construction phase assessments. The competition process ensures that prices paid are reasonable and consistent with the quality of services rendered or goods purchased.

TLMC'S OPERATIONS MANAGER AND TWO FORMER CRA EMPLOYEES WERE FORMER BUSINESS PARTNERS.

- Records maintained by Florida Department of State, Division of Corporations, disclosed that two former CRA employees were former business partners of TLMC's Operations Manager. The two former CRA employees and TLMC's Operations Manager were former partners in four business ventures that were dissolved in 1998. At the time the above two contracts (see the above two bullets) were awarded to TLMC, the two former CRA employees held the positions of Executive Director and

Controller at CRA. The circumstance surrounding the 3 change orders totaling \$200,192, the additional enhancements to parking lot project totaling \$278,224.11, and the award of the construction of parking lot 5 totaling \$153,731, without the benefit of competitive bid, as noted in the two preceding bullets, gives the appearance of some degree of impropriety. The three former business partners negotiated and executed the said transactions and the CRA Board that approved the projects was not apprised of the relationship in the business ventures that had been dissolved.

MISCELLANEOUS CIVIL ENGINEERING AND OTHER PROFESSIONAL SERVICES AGREEMENT WITH CIVIL CADD ENGINEERING, INC.

The SEOPW/CRA Board's Resolution number 00-78 and OMNI/CRA Resolution number 00-78 approved the selection of CIVIL CADD ENGINEERING, INC. (CADD) for the purpose of providing miscellaneous civil engineering services. Pursuant to this Resolution, an Agreement between CRA and CADD was executed on August 29, 2000. Our review of the expenditures relating to this Agreement disclosed the following:

TOTAL DISBURSEMENT EXCEEDED THE AMOUNT AUTHORIZED.

- The initial term of the Agreement was for one year with two additional one year option if exercised by CRA. In accordance with Section 9 of the Agreement the maximum compensation for the term of the Agreement was capped at \$900,000. Section 9 of the Agreement also stated: "The compensation of any one year may be increased by the CRA Board of Directors to a maximum amount of \$900,000 if funding is available." Our audit disclosed that CRA disbursed a total of \$1,112,755.66 to CADD during the period October 2000 through December 2002. The total amount disbursed exceeded the maximum allowed by \$212,755.66 or by 24%.

QUESTIONABLE BILLING FOR GENERAL CONSULTING SERVICES.

- During the contractual period, CRA records and billing statements indicated that CADD worked on "specific projects" authorized by work orders and also performed

what was classified as “general consulting” services, which also were supported by work orders. The scope of work for a “specific project” included a description and cost of the said project, materials/supplies and relevant costs, labor/installation cost, and a mark-up (profit) of 10%. The scope of work relating to “general consulting” described the nature of the consulting services to be provided. We noted that the time/attendance sheets completed by CADD employees were attached to the invoice. The time sheets identified the activities performed during the billing period. However, we noted that some of the activities identified on the time/attendance sheets pertain to projects that were authorized and had been paid for in separate work orders. For example, three separate work orders were issued for the Jackson Soul Food, Two Guys Restaurant and the Just Right Barber Shop projects for a total cost of \$85,719. However, we noted that the time/attendance sheets submitted in connection with general consulting services also included separate and additional charges for the three projects. Our audit disclosed that a total of \$233,929.47 was disbursed to CADD in connection with “general consulting” services.

SIGNED AND SEALED CONSTRUCTION/RENOVATION PLANS HAVE NOT BEEN DELIVERED TO THE CRA.

- CADD was also engaged to provide sealed and design plans for several projects and a total of \$221,870.73 was disbursed to CADD in connection with this engagement. We noted that the signed and sealed construction plan for Jackson Soul Food Restaurant was completed and provided to CRA as agreed. According to the current Executive Director of CRA, the signed and sealed construction plans for the other projects had not been delivered to CRA as agreed. As of the date of this audit report, CADD and CRA are engaged in litigation. Pursuant to Resolution number 03-79 which was passed by CRA Board on September 29, 2003, CRA contracted with T.Y. Lin International/HJ Ross and Associates for a total of \$211,500 to provide a new set of signed and sealed plans and construction oversight (serving as CRA owner’s representative for the building renovations and modifications) in connection with Jackson Soul Food, Two Guys Restaurant, and the Just Right Barber Shop. According to the current Executive

Director the construction plans prepared by CADD failed to meet current building code provisions.

CADD BILLED AND WAS PAID ADDITIONAL FEES FOR ATTENDING MEETINGS.

- Our review of the invoices disclosed that the CADD billed CRA and was paid for activities such as attending CRA Board meetings, CRA staff meetings, other CRA meetings/events, obtaining building permits, and training at Miami Micro data Inc. It is not clear why additional fees were paid to CADD for attending meetings pertinent to work orders relative to specific projects and/or general consulting services for which a lump sum amount had been paid as agreed upon. The amount paid totaled \$80,901.92.

MARLINS BALLPARK STADIUM ANALYSIS.

- The CRA Board passed and adopted a motion on February 21, 2001, directing its Executive Director to prepare economic and technical feasibility study pertaining to the location of the Marlins baseball park within CRA area. On May 21, 2001 the CRA Board passed and adopted Resolution number 01-37 ratifying, approving, and confirming the actions of the Executive Director and approving a contract and work authorization for the ten consultants for said site analysis and appropriating an amount not to exceed \$220,001. However, we noted that a total of \$247,460 was incurred and disbursed. Additionally, Bermello Ajamil consultant was engaged long before CRA Board approved the technical feasibility study. The invoices reviewed were not descriptive enough and said invoices appear to indicate that six different consultants worked on developing site evaluation methodology/evaluation process and were paid a total of \$157,091.

QUESTIONABLE USE OF TIF MONIES.

The records reviewed as part of this audit indicated that Southeast Overtown/Park West Community Redevelopment Agency (SEOPW-CRA) and the Omni Community Redevelopment Agency (Omni-CRA) disbursed a total of \$17 million of TIF and federal funds during the audit period October 1, 1998, through September 30, 2002. The amounts disbursed during each of the four fiscal years ranged from \$1.8 million to \$6.8 million. Our audit included procedures to determine whether selected expenditure transactions were consistent with the objectives articulated in the community redevelopment plans for the SEOPW-CRA and OMNI-CRA as shown on exhibits I and II, on pages 129 through 132. Our review disclosed the following questionable expenditures, which appear inconsistent with the said plans:

CELLULAR PHONES

- The telecommunication records reviewed disclosed that a total of \$29,777 was disbursed during the audit period for cellular phone services. Good business practice would dictate that a guideline/policy be used for the 24-hour assignment and use of cellular phones to CRA employees. However, the job functions and/or positions of some of the employees who were assigned cellular phones did not demonstrate the need for a 24-hour cellular phone assignment. The former Acting Executive Director was paid cellular telephone allowance of \$150 a month and CRA also made direct monthly payment to Cingular Wireless Telecommunication Company for the Acting Executive Director's personal cellular telephone

RENEWAL OF WORK PERMIT/CONTRACT SERVICES IN BAHAMAS – CRA INTERN.

- We noted that CRA disbursed two separate checks on May 5, 2002 and June 21, 2002, that were made payable to a CRA employee (intern) in connection with a project described as "Contract Services in Bahamas." The two checks totaled \$4,250. We were informed by the employee that he traveled to the Bahamas during the period April

2002 through May 2002 for the purpose of renewing his work permit. The employee further stated that the former Acting Executive Director directed him to perform certain CRA related activities during his visit to the Bahamas. There is no evidence to indicate that this project and the related expenditures were reviewed and approved by the CRA Board. It appears that the former Acting Executive Director solely approved this expenditure item. We also noted that said employee was paid \$1,384.80 in wages for the pay period March 24, 2002 through April 5, 2002. A hand written note on the supporting Biweekly Time Sheet stated that the said employee was not present to complete and sign the time sheet as required. An employee on CRA payroll who also engaged in a contract with CRA appears to constitute conflict of interest.

LEGAL FEES FOR THE BENEFIT OF CRA EMPLOYEE AND CERTIFICATION OF PETITION FOR A NONIMMIGRANT WORKER.

- Our review of the fees paid to Holland and Knight, LLP (HK) disclosed that a total of \$3,380 (check number 327169) of TIF monies was disbursed to HK in connection with the preparation and filing of I-129H petition for nonimmigrant worker and related reimbursable cost solely for the benefit of the same CRA employee discussed in the prior bullet. Our review of the “Petition for a Nonimmigrant Worker” form which was completed by HK on behalf of CRA, disclosed that the former Acting Executive Director certified that she was empowered to sign the said petition. However, there is no document to evidence CRA Board’s review, consideration and approval of the petition and/or the use of TIF monies to pay for the said petition.

CERTAIN BOOKS AND PERIODICAL PURCHASED WITH TIF MONIES COULD NOT BE LOCATED.

Our review of expenditures detail report disclosed that a total of \$14,842.49 of TIF monies was used to purchase books and periodical. Some of the books/periodical cannot be located and others are still in boxes and stored in the CRA Office.

LEASED OFFICE SPACE WAS NEVER AND IS STILL NOT BEING USED.

- On January 28, 2002, the CRA Board passed and adopted Resolution number 02-06, which authorized the Executive Director to enter into a rental agreement with the Masonic Lodge (located at 941 NW 3rd Avenue) at monthly cost not to exceed \$500 or \$9,000 for a period of 18 months with such rental agreement retroactive to June 1, 2001. The purpose of the lease of the office space was to move Overtown's NET Office to the Masonic office space. As of August 1, 2003 the leased office space for which approximately \$13,000 of TIF monies had been disbursed to Masonic Lodge is still not being used for the purpose intended.

FESTIVALS.

- The disbursement records reviewed disclosed that approximately \$244,484 was disbursed for various festivals and related activities. However, we noted that a total of \$96,308 of the \$244,484 TIF monies was disbursed for festivals that were held outside CRA boundaries. Additionally, a total of \$6,150 of TIF monies was used to pay for the framing of pictures in connection with the Haitian Art Festival in fiscal year ended 2002. CRA records indicated that \$3,260 was paid to Frames Art, Inc and \$2,890 was paid to a former Executive Director as reimbursement. We were informed that a majority of the framed artwork was returned to the artists at the end of the exhibition. The above activities that were held outside the SEOPW-CRA boundaries do not appear to be consistent with the objectives articulated in the community redevelopment plans for the SEOPW-CRA.

FOOD/ENTERTAINMENT.

- Our review of pertinent records/receipts disclosed that \$11,180 of TIF monies were used to purchase food and to reimburse CRA employees for the use of their personal funds to purchase food and beverages that were used for various CRA activities during

the fiscal years ended 2001 and 2002. These purchases do not appear to be consistent with the objectives articulated in the community redevelopment plans.

ARTIST IN RESIDENCE.

- Pursuant to an “Artist- In-Residence” (Artist), program, CRA disbursed approximately \$24,000 of TIF monies during the period July 2000 through August 2001. CRA records indicated that the amount disbursed for this Artist-in-residence program included personal cash payments to the Artist by certain CRA officials. The records reviewed indicated that the officials that made the personal cash payments were subsequently reimbursed with TIF monies. The said Artist is related to the owner of the property located on 910 Northwest 2nd Court property, which was purchased by CRA in June 2002. The Agreement indicated that the Artist would produce 2 original paintings each month. In accordance with this Agreement a total of 28 original paintings would have been produced during the period of the Agreement. However, we could only locate 8 paintings.

SALES TAX WAS PAID ON TRANSACTIONS.

- CRA is a governmental entity and therefore is exempt from paying sales/use taxes. However, our review of selected records/invoices disclosed that CRA routinely paid sales tax on the purchase of office supplies, hotel charges, car rental services, airfares, and food/beverages. Our review of 47 purchase transactions during the audit period disclosed that \$1,209.66 of sales tax was assessed and paid on routine basis.

OTHER QUESTIONABLE EXPENDITURES.

- Our audit disclosed other questionable expenditures, as noted on page 67.

CONTROL DEFICIENCIES OVER THE MANAGEMENT OF FIXED ASSETS.

The CRA reported capital assets of approximately \$10.9 million at September 30, 2002. Our review of fixed assets records for the period October 1, 1998, through September 30, 2002, disclosed the following control deficiencies:

- Our review of the inventory listing disclosed that a Kodak digital zoom camera and three organizer/palm handheld pilots, with a total value \$900, were listed as stolen/lost or items that could not be located. However, there was no evidence to indicate that missing/stolen report was filed with any law enforcement agency.
- We obtained and reviewed invoices for the goods purchased during the period October 1, 1998, through September 30, 2002. Our review disclosed that an Omnibook Pentium computer laptop, which was purchased on March 18, 2002 for \$1,975 and a laser printer/fax that was purchased for \$800, were not included on the inventory listing of capital assets and the said computer and the laser printer/fax were missing and could not be located. We were informed that the two inventory items may have been stolen. Again, there was no evidence to indicate that missing/stolen report was filed with any law enforcement agency.
- To verify the existence of certain inventory items and the accuracy of the pertinent inventory records, we tested a total sample of 107 items. The tests performed included visual identification of capital assets and tracing of those items to the property records, and also the selection of a sample of items from the property records and verifying the existence of those items. Our test disclosed that a Chevy Pick-Up, year 2000 model, valued at \$12,801.45 was not included on the capital asset inventory listing. In response to audit inquiry, the current Executive Director stated that the omission was an oversight.

INADEQUATE QUALIFIED STAFF TO PERFORM WORK AND TASKS ASSIGNED.

We noted that CRA currently has 10 fulltime positions and 1 part-time position. Our audit disclosed that approximately \$2.2 million was disbursed for salaries and benefits during the audit period October 1, 1998, through September 30, 2002. The records reviewed indicated that CRA disbursed approximately \$125,170 for hiring temporaries and spent additional \$1.98 million for consulting fees during the audit period. Our Review of CRA personnel and other pertinent records, disclosed the following deficiencies:

LACK OF PERSONNEL POLICY.

- It appeared that during the audit period CRA relied more on consultants, which in some cases were obtained through non-competitive process. An effective personnel policy would address issues such as job needs/descriptions, in-house/out sourcing of services, salary ranges, qualifications, experience, training requirements, benefits, and staff development.

THE LACK OF CONTINUITY OF EMPLOYMENT AT KEY ADMINISTRATIVE POSITIONS AND THE LACK OF RELEVANT EXPERIENCE.

- Effective leadership, continuity of employment, relevant experience, and the proper monitoring and coordination of all pertinent efforts would be necessary to accomplish all the tasks and undertakings stipulated in Section 163.340(9), Florida Statute, as it relates to CRA's mission. During the audit period there appeared to be lack of continuity of employment at the position of the Executive Director and other key positions. For example, during the audit period October 1, 1998, through September 30, 2002, CRA had a total of six Executive Directors. Additionally, Executive Directors were not required to possess prior work experience in activities and/or undertakings relative to redevelopment/revitalization of deteriorating and economically distressed areas.

THE LACK OF RELEVANT PRIOR WORK EXPERIENCE AND/OR CREDENTIALS RELEVANT TO THE POSITION ASSIGNED.

- Our review of payroll/personnel records disclosed that a position titled “Planning and Program Administrator” was funded during the audit period. The Employees/Positions listing, which described the job functions states: “Directs the coordination of an urban planning program, including the coordination, development and effectuation of the comprehensive plan, amendments to the plan, site plans, and reports.” However, the education and/or prior work experience of the incumbent in the said position is not in the area of planning as suggested by her job title. CRA records indicated that it paid approximately \$697,000 to HJ Ross and Associates (consultants) during the audit period for providing services, which included but not limited to reviewing work orders, providing constructions management services, and conducting field visits to constructions sites.
- Payroll/personnel records disclosed that two positions titled “Neighborhood Liaison” were funded during the audit period. The incumbents in the two positions are currently the Neighborhood Liaison for the Omni and SEOPW CRAs. However, we noted that 1 of the 2 CRA liaisons did not complete High School.
- One employee is currently assigned to the position of Agenda Coordinator. However, there is no transcript and/or diploma on file to substantiate that the incumbent in this position earned an Associate Degree in Psychology and Literature, as stated on her employment application. Additionally, HJ Ross Associate, Inc., and Holland and Knight were paid for services relating to coordination of Agenda items.
- One part-time employee is assigned to the position of Public Information Officer. However, there is no transcript and/or diploma on file to substantiate that the incumbent in this position earned an Associate Degree in Psychology and Literature, as stated on her employment application.

- Our review of payroll/personnel records disclosed that positions titled “Comptroller” and “Chief Financial Officer” were funded during parts of the audit period. However, our audit identified material deficiencies in the areas of project cost accounting, lack of accounting for encumbrances, inadequate procurement procedures, lack of overall financial accounting and reporting system. We noted that KPMG LLP, CRA’s external auditor during the audit period was also engaged in a separate consulting service and paid a total of \$18,400 to articulate a financial accounting manual to be used by CRA. The said manual was finalized in October 2000. However, this Accounting Manual is currently not being used. Additionally, another external accounting firm is currently providing accounting services at an hourly rate of \$150 for a partner, \$120 for a manager, \$110 for a senior and \$95 for a staff. The maximum amount payable under this contract is \$80,000.

INADEQUATE PERSONNEL AND PAYROLL RECORDS.

During the period October 1, 1998, through September 30, 2002, CRA disbursed approximately \$2.2 million in payroll related expenditures. The Payroll costs for the four fiscal years audited ranged from 10% to 20% of CRA's total operating costs. Our review of the personnel files disclosed the following deficiencies:

CERTAIN REQUIRED DOCUMENTS WERE NOT OBTAINED AND FILED IN EMPLOYEE'S PERSONNEL FILES.

- Our review of 9 of the 10 personnel files of fulltime employees whose annual salaries ranged from \$24,960 to \$45,671, disclosed that 7 personnel files did not have a copy of the Employment Eligibility Form (I-9) as required by Section 1324 (b) of the USC.
- Four (4) of the 9 files tested did not have a copy of the employee's social security card as required. A social security card indicates whether or not a prospective employee is authorized to work.
- All 9 personnel files tested did not include evidence of verification of previous employment and education. Such verification would ensure that the applicants met all the requirements for the position.
- Five (5) of the 9 employees' files reviewed did not include evidence of background checks. Such a check would uncover questionable character issues and/or ethical problems with a prospective employee.
- Two (2) of the 9 employees' files reviewed did not include copies of driver's license and evidence of drug tests. Driver's license provides additional verification of a prospective employee's identity and the drug test ensures that work product, performance and attendance would not be compromised.

PAYROLL EXPENDITURES

Good business practice would require that payroll disbursements be supported by Daily Attendance Report (DAR), completed and signed by all employees and approved by a supervisor. During the audit period CRA disbursed approximately \$2.2 in connection with salaries, excluding consulting fees/expenditures. Our review of transactions for 12 payroll periods during the period October 1, 1999, through September 30, 2002, disclosed the following deficiencies:

- The daily attendance report (time sheet), which documented the attendance of all employees for 11 of the 12 or 92% of the pay periods tested, did not include any evidence of supervisory review and approval of the time worked by employees. The dollar value of the payroll amount disbursed totaled \$69,264.75
- Approximately \$23,013 (693.25 hours) was disbursed in payroll expenditures without any supporting time and attendance records.
- We noted four instances where the number of hours for which employees were paid exceeded the actual number of hours the employees indicated that they worked, as shown on the timesheet. The additional amount paid to the employees in the four instances totaled \$622.65.
- Our review of the records supporting 21 instances where consultants were paid, disclosed no evidence clearly describing the nature/scope of services for which \$57,988 (718 hours) was paid. Additionally, only \$32,875 (384.25 hours) of the \$57,988 of the consulting expenditures was supported by timesheet.
- We noted that a former Executive Director (exempt employee) was compensated for the hours worked in excess of the regular 40-hour work week. The aggregate amount,

which was approved by the same former Executive Director for the period July 7, 2000 through October 27, 2000, totaled \$2,072. There is no written agreement that substantiates that he was entitled to the additional wages.

- We requested but CRA was unable to locate the daily attendance records and other pertinent sources documents supporting the \$166,305 that was disbursed as payroll expenditures for the period October 1, 1998, through September 30, 1999. Therefore, we could not determine the propriety of the expenditures incurred during the said period.

SEVERANCE PAY

- Our audit disclosed that three former employees/consultants who worked in various capacities at the CRA and for the periods ranging 10 months to 1.5 years were paid a total of \$12,968 as severance compensation at the time of termination. Our review of the former employees' terms of employment and personnel files did not indicate that the employees were entitled to such severance pay. Additionally, the CRA Board's consideration and approval was not evident from the documents reviewed.

ADDITIONAL SALARY COMPENSATION

- We noted that a Public Works division employee in the City of Miami was temporarily assigned to the CRA on December 15, 2001. The purpose of the assignment was to assist in construction management. We noted that the employee received his regular \$2,248.46 bi-weekly salary from the City and an additional \$461.54 bi-weekly pay from CRA. The additional salaries (TIF monies) paid to this employee for the period December 2001 through January 2003, totaled \$12,692.35. The justification and/or the CRA Board's approval of this additional TIF monies paid to this employee was not evident from the records reviewed.

BUDGET DOCUMENTS WERE NOT SUBMITTED TO THE COUNTY AS REQUIRED AND BUDGET CONTROL DEFICIENCIES.

Pursuant to an inter-local cooperative Agreement between the City of Miami (City) and the Miami-Dade County, CRA is required to submit its budget annually to the Board of County Commission. There were no records to substantiate that budget data were submitted for the Omni CRA for the fiscal years 1999 and 2002, and for the SEOPW CRA for the fiscal years 1999, 2001, and 2002.

Furthermore, our comparison of the amounts budgeted for expenditures to actual expenditures incurred disclosed the following:

- Two functional expenditure line items (community development and capital outlay) in the SEOPW-CRA were overspent by \$375,000 and \$2,627,322, respectively during the fiscal year ended September 30, 2001. However, the total actual expenditures incurred were less than the total budgeted expenditures for all expenditure categories by \$11,371. Additionally, the capital outlay category expenditure line item in the OMNI CRA's Special Revenue Fund was overspent by \$375,094 during the fiscal year ended September 30, 2001 and the total actual expenditures exceeded the total budgeted expenditures by \$307,437. The Anti-deficiency Act as codified in Sections 18-500 through 18-503 of the City Code prohibits CRA from incurring expenditures in excess of budget.
- Three functional expenditure line items (general government, principal and interest) in the SEOPW-CRA were overspent by \$986,827, \$115,000, and \$242,675, respectively during the fiscal year ended September 30, 2002. However, the total actual expenditures incurred were less than the total budgeted expenditures for all expenditure categories by \$1.2 million.

TIF MONIES THAT WERE ADVANCED AS LOANS AND/OR GRANTS WERE NOT TRACKED AND PROPERLY ADMINISTERED.

Pursuant to Resolution number SEOPW/CRA 02-63, which was passed and adopted on April 25, 2002, six loan advances ranging from \$1,245 to \$13,788.03 for a total of \$42,557.03 were approved and disbursed to Club Exile during the period May 02, 2002, through July 12, 2002. However, the said loan advances were disbursed, without executed loan agreement and/or promissory note. We noted that none of the amounts advanced had been repaid to CRA and we were informed that Club Exile was sold and now operates under new management.

ONGOING INVESTIGATION OF CRA.

There are two separate ongoing investigations pertaining to CRA's financial transactions. The United States District Court, Southern District of Florida subpoenaed certain CRA financial records on July 17, 2003. The State Attorney's Office also subpoenaed certain CRA financial records on July 3, 2003. These investigations are active and ongoing as of the date of the report.

LITIGATION.

The SEOPW-CRA/Omni-CRA districts jointly with the City of Miami are involved in several pending legal actions. In the opinion of CRA management, based upon consultation with CRA legal counsel, the range of potential loss from all such claims and actions would not materially affect the financial condition of the districts.

AUDIT FINDINGS AND RECOMMENDATIONS

CITY OF MIAMI COMMUNITY DEVELOPMENT DEPARTMENT

QUESTIONABLE USE OF FEDERAL GRANT MONIES.

The Community Development Block Grant (CDBG) regulations require that grantees and subrecipients that are governmental entities or public agencies adhere to certain administrative requirements. The administrative requirements include but not limited to Office of Management and Budget (OMB) Circular A-87 (Cost Principles for State, Local and Indian Tribal Government); specific provisions of Title 24 Code of Federal Register (CFR) Part 85; OMB Circular A-133 (audit of Institutions of States, Local Governments and Nonprofit Institutions); OMB Circular A-122 (Cost Principles for Non-profit organizations); and specific provisions of Title 24 CFR Part 84. During the audit period the City's Community Development department reimbursed invoices totaling the following amounts in connection with CRA related projects and services/activities.

Fiscal Year Ended	Reimbursements
September 30, 2002	\$ 655,989
September 30, 2001	2,300,059
September 30, 2000	379,000
September 30, 1999	372,000
Total	<u>\$ 3,707,048</u>

Our review to determine the propriety of the reimbursements that were made with CDBG monies disclosed the following compliance deficiencies during the period October 1, 1998, through September 30, 2002:

LACK OF MONITORING, REPORTING OF CRA PROGRAM PERFORMANCE, AND/OR OMB CIRCULAR A-133 AUDIT.

- Title 24 CFR Part 85.40 states: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal

requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” In accordance with the provisions of Title 24 CFR Part 85.40, the results of the monitoring process should be documented in a Performance Report. The monitoring process will accomplish the following goals:

- Compare the actual accomplishments to the objectives established for the period and if necessary determine and analyze why the established objectives were not met and the reasons for cost overrun or high unit/service costs.
- Perform on-site technical inspections and certify percentage-of-completion data in construction related disbursement.
- Evaluate problems, delays, or adverse conditions which will materially impair the ability to meet the objectives of the award.

Our audit disclosed that the Community Development department did not monitor and/or prepare a program performance report on CRA’s use of Community Development Block Grant (CDBG) monies as required by Title 24 CFR Part 85.40. During the audit period we noted that CDBG monies were allocated (budgeted) for various CRA related projects, and as expenditures were incurred by CRA, it submitted the supporting source documents/invoices to the CD department for reimbursement. The CD department processed the invoices and forwarded them to the Finance department for payment. For example, during the fiscal years ended 2001 and 2002, the CD department reimbursed invoices totaling approximately \$1.02 million that was submitted by Civil CADD Engineering, Inc., Bermello Ajamil Partners, Inc., TLMC Enterprises, Inc., H.J.Ross and Associates, and others. However, there were no clearly defined or stated objectives to assess the progress of each of the activities/projects for which reimbursements were made and no program performance reports were prepared. Additionally, there were no on-site technical inspections and certification of percentage-of-completion, and evaluation of problems, delays, or adverse conditions that would materially impair the ability of CRA or its vendors/grantees to meet the objectives of the award. The funds allocated were simply disbursed through reimbursement upon submission of invoices and/or other records.

OMB Circular A-133 (Audit of Institutions of States, Local Governments and Nonprofit Institutions) requires all recipients and subrecipients that expend \$300,000 or more in a year of federal awards to obtain a single or program audit. During the audit period the CDBG monies that were disbursed to CRA vendors in connection with CRA related activities/programs ranged from \$372,000 to \$2,300,059 annually. However, neither a single nor program audit was performed. Upon audit inquiry, the Director of the Community Development, in a written response stated that: "We have always treated CRA and City Departments as part of the City of Miami; therefore, we have never monitored those activities or requested an audit. Nevertheless, as explained in our response of your e-mail dated May 13, 2003, the policy of this department has been changed as of October 1, 2003."

CDBG MONIES WERE USED TO PAY FOR LOBBYING.

- The Federal guidelines for determining allowable costs dictates that allowable cost would be determined in accordance with the cost principles applicable to the organization incurring the costs. The OMB Circular A-87 is the cost principles that determine allowable costs for State, Local and Indian Tribal Governments. OMB Circular A-87, Section 27 titled, "Lobbying" states: "The cost of certain influencing activities associated with obtaining grants, contracts, or loans is an unallowable cost." However, our audit disclosed that a total of \$76,851.39 of CDBG monies was paid to Holland and Knight LLP (HK) in connection with a lobbying activity, which was performed on behalf of CRA. The description on the supporting invoice, which is dated October 23, 2000, stated: "Lobby State Senate, State Assembly and Department of Revenue regarding implementation of Increment sales tax district." In accordance with OMB Circular A-87, Section 27, it appears that this cost is unallowable. Upon audit inquiry, the Director of the City's Community Development department stated that the reimbursement was an oversight and the said reimbursement will be charged back to CRA through a journal entry.

CDBG MONIES WERE USED TO PAY FOR GENERAL GOVERNMENT EXPENSES.

- OMB Circular A-87, Section 23 titled, “General Government Expenses” states: “The general costs of government are unallowable.” The provisions of Section 4.1 (b) of the inter-local cooperative Agreement between the City, SEOPW-CRA, and OMNI-CRA executed as revised on March 13, 2000, states: “The Miami CRA shall not use any community development block grant funds (hereafter referred to as ‘CDBG funds’) received from the City for administrative expenses (as defined in 24 CFR Part 570), without the prior written approval of the City Manager. The Miami CRA shall use funds received from other sources for any necessary administrative expenses.” Our audit disclosed that the following CDBG monies were paid to Holland and Knight, LLP (HK) in connection with CRA activities/operations:

<u>Check #</u>	<u>Check date</u>	<u>Amount</u>
287484	12/22/00	\$ 191,155
287483	12/22/00	\$ 18,125
288165	1/5/01	10,738
200330	1/16/01	61,100
Total		<u>\$ 281,118</u>

Our review of two invoices (number 1021183 dated June 9, 2000, for \$23,923.79 and number 1021249 dated July 18, 2000, for \$25,713.29) disclosed that HK routinely billed CRA for services such as attending CRA staff meetings; preparing agenda packets for distribution; preparing for and attending every CRA Board meeting; telephone conferences with staff regarding the engagement of external auditors; being present at meetings attended by staff and outside parties; preparing list of open items; telephone calls to external parties on behalf of CRA on issues such as procuring temporary services and status of other administrative issues. The total of such billings for invoice number 1021183 amounted to \$15,998.50 or 67% of the \$23,923.79 billed and paid as part of check number 287484. The total of such billings for invoice number 1021249 amounted to \$14,418 or 56% of the \$25,713.29 billed and paid as part of

check number 287484. For example, invoice number 1021249, dated July 18, 2000 indicated the following activities/services:

<u>Date</u>	<u>Services Provided</u>	<u>Fees Charged</u>
6/14/00	Preparing resolutions (1.70 hours @ \$165 per hr.)	\$ 280.50
6/18/00	Preparing resolutions (4.00 hours @ \$165 per hr.)	660.00
6/19/00	Preparing resolutions/agenda, and reviewing correspondence, (2.50 hours @ \$165 per hr.)	412.50
6/20/00	Review/revise agenda and resolution (4.50 hours @ \$200 per hr.)	900.00
6/20/00	Preparing agenda packets for distribution (9.50 hours @ \$165 per hr.)	1,567.50
6/21/00	Attending to Agenda matters (1.20 hours @ \$165 per hr.)	198.00
6/22/00	Attending to Agenda matters (.50 hours @ \$165 per hr.)	82.50

Activities/services such as those noted above are purely administrative in nature. In accordance with the provisions of OMB Circular A-87, Section 23, the above costs are general government expenses, and therefore, unallowable use of CDBG monies.

In response to this audit finding, the Director of the Community Development department stated that CRA is a project with many activities. She noted that the activity funded with CDBG monies was an economic development activity that benefited low and moderate income persons through job creation and retention and therefore allowable use of CDBG monies. However, to qualify under the provisions of CFR 24 Part 570.208(a)4 titled Job Creation or Retention Activities, as asserted by the Director, the following criteria must be satisfied:

- The recipient must document that at least 51 percent of the jobs will be held by, or will be available to, low and moderate income persons.
- The recipient must document that the jobs would actually be lost without the CDBG assistance.
- Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite.
- Persons employed lives within certain census tract area.
- The said census tract area must have a poverty rate of at least 20 percent.
- Each assisted business shall be considered to be a separate activity.

There was no evidence to substantiate that any of the above criteria were met. Additionally, at the time these disbursements were made the inter-local agreement between the City and CRA provides that administrative expenses cannot be incurred without the approval of the City Manager. However, the current Executive Director of CRA via an email stated that the inter local Agreement between the City and CRA was amended this year and CDBG monies from the City would be replaced with General Fund monies and all other CDBG monies provided to CRA would be used in full compliance with all Federal regulations.

CDBG MONIES WERE USED TO PAY FOR CRA ADMINISTRATIVE STAFF SALARIES EXPENSES.

- OMB Circular A-87, Section 23(2) provides that the salaries and other expenses of State legislatures, tribal councils, or similar local governmental bodies, whether incurred for purpose of legislation or executive direction, are unallowable use of CDBG monies. The CRA outsourced its payroll functions without the benefit of competitive bid/RFP, and entered into unwritten professional service agreement with ADP, Inc., on October 4, 1999, to provide that function. Our review of the source documents supporting CRA expenditures that were reimbursed with CDBG monies, disclosed that during the fiscal year October 1, 1999, through September 30, 2000, approximately \$491,000 of CDBG monies were used to pay CRA administrative staff salaries. The

administrative positions that were funded with CDBG monies included but not limited to Executive Director, Controller, Agenda Coordinator, Administrative Assistants, and Secretary. These administrative positions and related functions are CRA administrative expenses that were incurred for the administration of the Agency and not directly attributable to any specific project/program within the Southeast Overtown/Park West Community Redevelopment Agency (SEOPW-CRA) and/or the Omni Community Redevelopment Agency (Omni-CRA) areas. In accordance with OMB Circular A-87, Section 23(2) and Section 4.1 (b) of the inter-local cooperative Agreement between the City, SEOPW-CRA, and OMNI-CRA, it appears that the above costs are administrative staff salaries, and therefore, unallowable use of CDBG monies.

THE USE OF CDBG MONIES FOR PROCUREMENT OF GOODS AND SERVICES.

- Title 24 Part 85, Section 36(b) of the United States Code of Federal Regulation provides that grantees and sub-grantees should adhere to the local laws or rules that regulate their procurement procedures. While CRA is not required to follow the City's codified procurement guidelines, which mandates competitive bidding, the inter-local Cooperative Agreement between the City of Miami (City) and the Miami-Dade County, requires CRA to develop and promulgate rules, regulations, criteria and adopt procedures for disbursing funds in accordance with approved budget. The CD department records indicated that a total of \$327,409.73 was processed and disbursed to various vendors during the period November 2000 through January 2001, without any procurement rules, policies, procedures and/or guidelines that would ensure that the prices paid were reasonable and consistent with the quality of services rendered or goods purchased.

In response to this audit finding, the Director of the CD department stated: "The CRA is afforded wide latitude when awarding contracts for goods and services and is generally only required to act in good faith and the best interest of the public." Please

see the entire written response item number 3 on pages 85 and 86. However, as every other government agency, CRA operates within budgeted constraints and should adopt procedures that would ensure the economical use of public funds.

SOURCE DOCUMENTS SUPPORTING THE DISBURSEMENT OF CDBG MONIES COULD NOT BE LOCATED.

- In a response to our request for a listing of all CDBG draw downs and supporting documentation for the period October 1, 1998, through September 30, 2002, the Director of the CD department stated via email dated July 11, 2003: “Community Development staff has been unable to locate all documentation dating back to 1998/99. She noted that records located as of this date include the list of draw downs totaling \$371,999.64 and supporting documentation for draw downs totaling \$287,817.20.” However, we were provided with proper supporting documentation for only \$235,884.84 of the \$371,999.64 that was disbursed towards CRA related projects/operations. The CD department and/or the CRA were unable to locate the invoices or other supporting source documents for disbursements totaling \$136,114.80.

Recommendation

We recommend that all subrecipients be properly monitored for compliance and CDBG monies be used to reimburse only allowable costs.

Auditee’s Response and Action Plan

See written responses on pages 82 through 86.

COMMUNITY REDEVELOPMENT AGENCY

THE USE OF TAX INCREMENT FINANCING (TIF) MONIES FOR PROCUREMENT-SIGNIFICANT CONTROLS DEFICIENCIES.

During the audit period October 1, 1998, through September 30, 2002, approximately \$17 million was disbursed for various goods/services including consulting. As noted on page 38, CRA did not implement formal and consistent procurement rules, policies, procedures and/or guidelines. The implementation of a formal and consistent procurement procedure such as competitive bidding along with an executed written agreement, prior to the acquisition of goods and/or services, would ensure that the prices paid are reasonable and consistent with the quality of services rendered or goods purchased. A written contract is legally binding and holds the contractor/consultant accountable for delivering quality services/products and also includes methods to be used to compensate the vendor/consultant. Our audit disclosed the following procurement control deficiencies:

THE USE OF TIF MONIES FOR PROCUREMENT OF GOOD AND SERVICES.

- As part of our audit we reviewed the procurement process to determine the propriety and economical use of public funds. We reviewed a sample of 21 procurement transactions, which ranged from \$2,377 to \$1.9 million and totaled \$6.8 million. Our test disclosed that CRA obtained written quotations, bids, and/or request for proposals for 6 procurement transactions totaling \$5 million, however, bids, request for proposals, and/or written contracts/agreements were not obtained or executed for 15 procurement transactions, totaling \$1.8 million. Although CRA is not required to procure good/services through a competition process, such process ensures that the prices paid are reasonable and consistent with the quality of services rendered or goods purchased.

LEGAL FEES.

- CRA records indicated that it disbursed approximately \$922,357 to Holland and Knight (HK) during the audit period. Approximately \$781,136 of the \$922,357 was for services performed and the balance totaling \$141,221 was held in trust and used to pay for the purchase of land/property and other CRA related transactions. Additionally, \$149,611 was paid to six other law firms for lobbying, update of redevelopment plan, preparation of SEOPW development regional impact, and other legal services. Our audit disclosed that the legal fees paid for services performed during said audit period ranged from \$28,586 to \$427,859 annually. The ratio of the legal fees compared to the total expenditures during the audit period ranged from 2% to 6%. Our audit disclosed the following:
 - CRA records indicated that HK started providing legal services to CRA since 1989 (13 years ago) and the process used to select HK was not evident from the records reviewed. During the audit period there was no formally executed written agreement between CRA and HK except for an engagement letter for professional legal services written by the City Attorney to a HK partner, dated November 9, 2000, which was countersigned (accepted) by the partner. The said engagement letter, which was not ratified by the CRA Board, described issues relating to scope of legal services, fees, payment of expenses, and conflict of interest. The said letter indicated that the Firm shall bill partners at the rate of \$250 per hour, associates at the rate of \$175 per hour and legal assistants at the rate of \$95 per hour. Additionally, it stated: “It is further understood that any billings by the Firm beyond the amount set forth on Exhibit ‘A’ shall be with the prior consent of the City Attorney, subject to the CRA Board’s approval.” Prior to the execution of the engagement letter dated November 9, 2000, the rate that HK billed for partners per hour ranged from \$290 to \$335; the rate per hour for associates ranged from \$120 to \$195; and the rate per hour for legal assistants ranged from \$100 to \$110. There is no document to evidence CRA Board’s consideration and approval of the rates

charged prior and subsequent to the execution of the engagement letter. Also, the process used to select HK was not evident from the records reviewed. Absent formally executed written agreement approved by the CRA Board and the lack of CRA Board's ratification of the engagement letter, which established the rates, the rates paid may not have been authorized.

- Under the scope of legal services, the engagement letter stated: "It is agreed that the firm shall provide legal services, consisting of acting as special counsel to the CRAs, by counseling, giving legal advice to the CRAs as requested by the City attorney and the Executive Director of the CRAs from time to time. Each such matter will be confirmed in writing to the City Attorney with a copy to the Executive Director." However, our review of invoices for services performed during the period November 16, 2000, through September 30, 2002, disclosed that CRA was routinely billed for services such as attending CRA staff meetings; preparing agenda packets for distribution; preparing for and attending every CRA Board meeting; telephone conferences with staff regarding the engagement of external auditor; being present at meetings attended by staff and outside parties; preparing list of open items, telephone calls to/from CRA employees, City employees; telephone calls to external parties on behalf of CRA on issues such as procurement of temporary services and status of other CRA non-legal matters. For example, HK billed approximately \$36,765 (116.80 partner hours and 38.70 Legal Associate hours) for attending CRA Board meetings during the audit period. How the above activities constitute legal services as contemplated by the engagement letter were not evident from the supporting invoices reviewed. The said services were billed at the rate ranging from \$100 to \$335 an hour. We also noted that the City Attorney and an Assistant City Attorney routinely provides legal services to CRA and also attends CRA Board meetings.
- Our audit disclosed 18 instances of itemized legal services, totaling approximately \$109,729 that were invoiced and paid for by CRA during the

audit period that was not reviewed by the City Attorney prior to disbursement of payment. We noted that 16 of the 18 invoices were for services that were performed prior to the execution of the engagement letter dated November 9, 2000, and the remaining 2 invoices were for services that were performed subsequent to November 9, 2000. Upon audit inquiry, we were informed that the 16 invoices were not reviewed because they pertain to services that were provided prior to the execution of the engagement letter and also because CRA negotiated 5% discounts on those invoices. However, the invoices were not descriptive enough and a review process would have provided more information relating to the nature of the legal services performed and also the propriety of the rates charged prior to any negotiation for a discount.

- Our audit disclosed a duplicate payment totaling \$7,935.84. We noted that CRA paid for the same services twice with check number 323255, dated April 19, 2002. Upon audit inquiry, the said overpayment was reimbursed to CRA
- Our review disclosed that HK was reimbursed a total of \$7,896 of non-reimbursable costs (Copies, Westlaw Database, and Telecopy) incurred during the period of October 1, 1998, through September 30, 2002. Upon audit inquiry, the Executive Director stated that CRA will request reimbursement.
- The CRA's Board of Directors passed and adopted Resolution number SEOPW-CRA 00-128 dated December 18, 2000, which authorized the engagement of a law firm in connection with general legal services for the fiscal year ended 2001 in an amount not to exceed \$75,000. The Board also passed and adopted Resolution number OMNI-CRA 00-66 authorizing up to \$75,000 in fees to HK for general legal services. However, we noted that a total of \$171,762 (\$21,762 in excess of the total amount authorized) was disbursed during the said fiscal year. The Executive Director concurred with this finding.

DISBURSEMENT OF CONSULTING FEES.

- A written contract is legally binding and holds the contractor/consultant accountable for delivering quality services/products and also includes methods to be used to compensate the vendor/consultant. Our audit disclosed the following procurement control deficiencies:
 - CRA procured the accounting services of Brian Hankerson/Hankerson Associates (consultants) and disbursed a total of \$92,116.60 to the consultant without CRA Board consideration/approval, and/or without written Agreement during the period September 2001 through June 2002. A letter written by the former Executive Director to the Consultant stipulated that the primary consultant will be paid \$90 an hour and his assistant will be paid \$40 an hour. However, we noted that the consultant's assistant was paid \$45 an hour as opposed to the \$40 an hour as agreed upon. The consultant's assistant was overpaid by \$1,626.75.
 - Pursuant to an unwritten Agreement/Contract between CRA and Judy Associates, a former Executive Director of CRA, was subsequently retained as a consultant. CRA records indicated that Judy Associates was paid approximately \$206,800 in consulting fees during the period August 2001 through April 5, 2002 and January 2003 through April 2003. CRA records also indicated that the consultant was paid an additional \$172,650 (\$150 an hour), under the auspices or subcontractor of HJ Ross, Inc., during the seven months period of April 6, 2002 through October 2002. Upon audit inquiry, the current Executive Director stated: "Throughout the consultant's tenure with the CRA, the Board has assigned him several tasks including but not limited to (1) consultant to SEOPW Master Plan Update, (2) County's Automatic Riveter Clause, (3) expansion of CRA boundaries and (4) technical expertise as it relates to CRA powers. On June 13, 2002, HJ Ross 'adopted' him as a subcontractor at a billable rate of \$150 per hour in SEOPW R 02-107/Omin R

02-44. (His billable rate was \$50 more than his actual).” However, in the absence of an executed written agreement, which describes scope of services to be provided and the fees to be charged for each of type of service, the quality of services rendered cannot be assessed and the reasonableness of the TIF monies disbursed cannot be determined.

- Pursuant to an unwritten Agreement/Contract, CRA disbursed \$124,982 (2,403.50 hours x \$52 an hour) to Vernon P. Clarke - Consultant during the period August 2001, through March 2003 for consulting services. CRA records indicated that the consultant was engaged to study bus stop locations and the physical conditions of bus stop benches and shelters citywide. Upon audit inquiry, the current Executive Director stated that the consultant was initially engaged pursuant to CRA Board Resolution number 00-24, which authorized CRA to negotiate a lease agreement with Miami Dade Transit Authority (MDTA) and Southeast Overtown Park/West Community Redevelopment agency in connection with parking between 2nd and 3rd Avenue on the North side of 11th Street. He further stated that the consultant was engaged as a result of his technical expertise and also because he has served many years as a top administrator for the MDTA. The consultant’s scope of services was later expanded to include the study of bus stop locations citywide. However, there is no evidence of CRA Board’s approval of the use of TIF monies to study bus stop locations and the physical conditions of bus stop benches and shelters citywide, and/or written agreement to that effect.
- Pursuant to an unwritten agreement Reginald Gousse - Consultant was paid a total of \$5,200 for services performed on January 22, 2002, and February 15, 2002, as computer consultant. Our review of the invoices disclosed that the consultant was paid \$1,000 for one hour of consulting services related to CRA email security. Please note that all CRA employees use citywide email system and the City of Miami’s Information Technology (IT) department personnel is solely responsible for email security. In accordance with another invoice

submitted by the same consultant, he was paid additional \$4,200 for another one hour of consulting services, which according to the invoice submitted was in connection with CRA's Information Technology assessment. There is no evidence of CRA's Board consideration and approval of the consulting services. We noted that the said consultant subsequently became a part time CRA employee and was paid an additional \$10,278, at an hourly rate of \$36 during four payroll periods. Our review of his personnel file disclosed no evidence of employment application, employment eligibility form, social security card, back-ground check and verification of prior work experience. Furthermore, CRA records indicated that this consultant was paid additional \$23,320, at an hourly rate of \$80 during the period April 2002 through July 2002, as HJ. Ross, Associates, Inc. consultant. In connection with the \$5,200 that was paid to the consultant for computer services, the current Executive Director stated: "CRA is connected to the City of Miami's Microsoft Exchange email; the consultant did not have administrative access. Therefore, many hours were spent with the City's IT department dealing with issues such as data transfer, network speed, data security, archival of information, etc." However, the invoices that were processed and paid for by CRA indicated that a total of two hours were spent on the consulting engagements. Additionally, personnel in the City's IT department confirmed that the consultant visited the IT department only once and no one recalled specifically working with said consultant in connection with CRA's email system security or CRA's IT assessment. As it relates to the consultant's connection with HJ Ross Associates, Inc., the CRA Executive Director noted: "I cannot add any information nor provide explanations as to the justification of disbursing funds to the consultant under HJ Ross Associates, Inc."

- CRA records indicated that \$2,376.50 (67.9 hours x \$35 and hour) was disbursed to Arnold Lewis Mobley – Personal Computer Consultant for providing computer services to CRA. The supporting invoice did not describe the nature/extent of computer services provided. It appears that this vendor was

not authorized to perform any services. See the current Executive Director's written response number 3 on pages 97 and 98.

PURCHASE VS. LEASE AND MISSING LAPTOPS.

- Pursuant to an unsigned municipal lease agreement between CRA and Gateway Companies, Inc. (Gateway), CRA leased 11 desktop and 2 laptop computers from Gateway Companies. The lease agreement was for a 36-month period beginning from October 1, 2000, through September 30, 2003, and the monthly lease payment was \$747.48. Our physical inventory count, which was performed to verify existence of the said leased computers, disclosed that the two leased laptops were missing. We were provided with a Police report evidencing the theft of one of the missing computers. However no Police report and/or any other records were provided to evidence the theft of the other missing laptop computer. Therefore, the circumstance surrounding the disappearance of the missing laptop computer was never investigated. Section 6 of the lease agreement, titled "Loss or Damage; Insurance" states: "You are responsible for any loss, theft or destruction of, or damage to, the Equipment (collectively 'Loss') from any cause, whether or not insured, until the Equipment is delivered to us at the end of this Lease." In accordance with this provision of the lease agreement, CRA has continued to make the lease payment for the two missing laptops. Additionally, at the end of the lease, CRA will have to pay Gateway the purchase option price determined solely by Gateway, if it decides to purchase the computers.

The rationale and/or the justification for leasing as opposed to the outright purchase of all the computers from Gateway were not evident from the records reviewed. A monthly lease payment of \$747.48 for 36-months would total \$26,909.28. If CRA decides to purchase the computers at the end of the lease period, CRA will have to pay to Gateway the purchase option price determined solely by Gateway. However, outright purchase of the same type and configuration of computers at the inception of the lease would have cost approximately \$14,474, which is \$12,435.28, less when compared to the leasing option. Good business practice would dictate that the most

economical and reasonable procurement option be exercised when disbursing public funds. Also, there is no evidence to indicate that this lease agreement was authorized by the CRA Board.

Recommendation

We recommend that CRA implement formal and consistent procurement procedures such as competitive bidding along with executed written agreement, prior to the procurement of goods and/or services. Such procedures would ensure that the prices paid are reasonable and consistent with the quality of services rendered or good purchased. We also recommend that CRA seek reimbursement for the \$7,896 of non-reimbursable cost paid to HK as noted on page 43.

Auditee's Response and Action Plan

See written responses on pages 87 through 99.

CAPITAL CONSTRUCTION AND IMPROVEMENTS.

CRA records indicated that it spent approximately \$3.5 million for capital construction projects and improvements during the period October 1, 1998, through September 30, 2002. The capital construction projects include five parking lot facilities, Margaret Pace Park improvements, facade renovations, and other improvements. In accordance with Section C of the inter-local Agreement between the City of Miami and Miami-Dade County titled “Project Financing” as amended, CRA is required to administer and manage funds as required by law. Section C of said Agreement requires CRA to develop and promulgate appropriate rules, regulations and criteria for financing CRA’s related projects and also to adhere to a County approved budget. Our review of CRA’s capital construction and improvement projects disclosed the following deficiencies and questionable disbursements:

LACK OF PROJECT COST ACCOUNTING SYSTEM.

- Our review of the project files pertaining to five parking lots with construction costs ranging from \$30,657.22 to \$444,602.86, disclosed no evidence of well defined management reporting, which is essential for effective monitoring of facilities acquisition, construction, and related activities. We noted that the project cost system currently utilized is not integrated with CRA’s automated accounting system. The information/data such as resolutions, contracts/agreements, budget documents, work orders are kept in separate files and records relating to expenditures are filed by vendor. Additionally, the amounts disbursed for each project are accounted for and reported by vendor and not by project. Therefore, there is no single document that captures the total cost relating to a specific project. Additionally, there is no status report listing individual projects and identification of the projects by stages, such as planning, consultant selection, design, bidding, construction, and warranty. We also noted that there is no summary status report showing comparisons of projected revenues (budget) designated for construction projects with actual revenues received and the projected construction costs as anticipated to date with actual construction costs incurred, and the resulting effects on long-term plans.

A project cost accounting system (system) that is integrated with CRA's automated accounting system would be effective for monitoring the projects in terms of budgeting, accumulating actual expenditures, encumbering amounts, tracking available balance, and measuring percentage of completion. The system should be detailed by fund, include recommended project prioritization rankings, identified revenue sources, planned financing options and unfunded projects. The said system should include estimates of the operational impacts produced for the operation of the capital improvements upon their completion; and a component reflecting all ongoing approved capital projects of the City, the date funded, amount budgeted, amount spent since the start date, remaining budget, fiscal impact of known changes to financial assumptions underlying the project, estimated expenditures by fiscal year for the project and estimated completion date. Approved projects, with circumstances that arise, which change the funding requirements of the project, should be addressed annually. Management reporting guidelines should specifically address the frequency and content of such reports to ensure that the CRA Board is provided sufficient summary information on a regular basis upon which to effectively monitor the status of the Agency's capital construction program and upon which to make informed decision regarding the commitment and expenditure of Agency resources. Information which may be pertinent to the Board's monitoring and oversight of the Agency's capital construction program could include data on projects for which actual costs will exceed projected costs, projects for which the planned completion dates will not be met, and projects for which delays or other legal or technical difficulties are anticipated or are being experienced.

CHANGE ORDERS INCREASED CONSTRUCTION COST OF PARKING LOTS.

- Pursuant to CRA Board Resolution number 00-106, which authorized the construction of parking lots 2, 3, and 4, TLMC Enterprises (TLMC) was selected as the lowest and responsive bidder for said construction project. Pursuant to an inter-local agreement, said bid process was administered by the City's Off-Street Parking Authority for the benefit of CRA. CRA records indicated that TLMC offered to perform the construction

project including demolition for \$422,300 while M. Vila and Associates, the only other bidder offered to perform the same service for \$573,944. However, we noted that TLMC submitted 3 change orders totaling additional \$200,192 subsequent to the award of the contract for the project. The descriptions supporting these change orders are as follows:

Parking Lot #	Change Order #	Type of Work Performed	Amount
2	1	Electrical, Irrigation & Fencing	\$ 39,523
3	2	Electrical, Irrigation & Fencing	117,229
4	3	Electrical, Irrigation & Fencing	43,440
			<u>\$ 200,192</u>

The construction of a parking lot facility, among other things, would require detailed drawings/specifications, complete site plan, architectural, irrigation, fence, electrical, and structural components. Although, the bid form excluded electrical and irrigation costs, the jobs related to the three change orders were properly identified and were included as part of the bid specifications provided to all prospective bidders. As a result of the three change orders, the cost of the construction project totaled \$622,492, resulting in an increase of \$200,192 or 47% of the original bid price. Additionally, CRA requested enhancements to the three parking lot projects, which were not, included in the original construction contract specifications. The cost of the additional enhancements requested by CRA totaled \$278,224.11. Therefore, the construction cost of the three parking lots totaled \$900,716.11.

LACK OF BID SOLICITATION FOR PARKING LOT NUMBER 5 AND LACK OF QUOTATION FOR OTHER JOBS.

- Our audit disclosed that TLMC (see prior bullet) was subsequently engaged to construct parking lot 5 without the benefit of a competitive bid. The cost of this project including land, totaled \$153,731. This parking lot was subsequently sold for \$52,000 to J.E.J Properties. Additionally, we noted that TLMC was engaged to perform eight small jobs for a total cost of \$32,095.00, without soliciting quotations. The jobs

include but not limited to drawings, cleaning, removal of railroad tracks along Grand Promenade, pre-construction phase assessments. The competition process ensures that prices paid are reasonable and consistent with the quality of services rendered or goods purchased.

TLMC'S OPERATIONS MANAGER AND TWO FORMER CRA EMPLOYEES WERE FORMER BUSINESS PARTNERS.

- Records maintained by Florida Department of State, Division of Corporations, disclosed that two former CRA employees were former business partners of TLMC's Operations Manager. The two former CRA employees and TLMC's Operations Manager were former partners in four business ventures that were dissolved in 1998. At the time the above two contracts (see the above two bullets) were awarded to TLMC, the two former CRA employees held the positions of Executive Director and Controller at CRA. The circumstance surrounding the 3 change orders totaling \$200,192, the additional enhancements to parking lot project totaling \$278,224.11, and the award of the construction of parking lot 5 totaling \$153,731 without the benefit of competitive bid, as noted in the two preceding bullets, gives the appearance of some degree of impropriety. The three former business partners negotiated and executed the said transactions and the CRA Board that approved the projects was not apprised of the relationship in the business ventures that had been dissolved.

MISCELLANEOUS CIVIL ENGINEERING AND OTHER PROFESSIONAL SERVICES AGREEMENT WITH CIVIL CADD ENGINEERING, INC.

The SEOPW/CRA Board's Resolution number 00-78 and OMNI/CRA Resolution number 00-78 approved the selection of CIVIL CADD ENGINEERING, INC. (CADD) for the purpose of providing miscellaneous civil engineering services. Pursuant to this Resolution, an Agreement between CRA and CADD was executed on August 29, 2000. Our review of the expenditures relating to this Agreement disclosed the following:

TOTAL DISBURSEMENT EXCEEDED THE AMOUNT AUTHORIZED.

- The initial term of the Agreement was for one year with two additional one year option if exercised by CRA. In accordance with Section 9 of the Agreement the maximum compensation for the term of the Agreement was capped at \$900,000. Section 9 of the Agreement also stated: “The compensation of any one year may be increased by the CRA Board of Directors to a maximum amount of \$900,000 if funding is available.” Our audit disclosed that CRA disbursed a total of \$1,112,755.66 to CADD during the period October 2000 through December 2002. The total amount disbursed exceeded the maximum allowed by \$212,755.66 or by 24%.

QUESTIONABLE BILLING FOR GENERAL CONSULTING SERVICES.

- During the contractual period, CRA records and billing statements indicated that CADD worked on “specific projects” authorized by work orders and also performed what was classified as “general consulting” services, which also were supported by work orders. The scope of work for a “specific project” included a description and cost of the said project, materials/supplies and relevant costs, labor/installation cost, and a mark-up (profit) of 10%. The scope of work relating to “general consulting” described the nature of the consulting services to be provided. For example, the consulting services relating to the management of the construction of the parking lots, was described as: “Provide general construction management which include the coordination and professional technical support to the CRA and the construction contractor, an analysis and evaluation of records, reports, safety on the jobs site, construction survey, preservation of improvements and utilities, waivers, differing site conditions, delays, payment requisition, suspension of the work, claims and disputes, construction, suspension of the work, claims and disputes, construction scheduling, change orders, final inspection, project acceptance and closing reports.” The fees for providing the services described in the example was \$30,622.90 excluding 10% markup. As the work of specific work order projects and/or the general consulting services progresses, CADD submits a monthly invoice, which shows the following categories:

- The lump sum fee charged
- Multiplied by the percentage of completion
- Less previous invoices submitted
- Total amount due

Although the scope of work relating to “general consulting” describes in great detail the nature of the consulting services to be provided, however, the corresponding invoice merely identifies the percentage of completion. The said invoice does not identify how the percentage of completion was derived and/or which consulting services within the scope of the engagement had been completed. We noted that the time/attendance sheets completed by CADD employees were attached to the invoice. The time sheets identified the activities performed during the billing period. However, we noted that some of the activities identified on the time/attendance sheets pertain to projects that were authorized and had been paid for in separate work orders. For example, three separate work orders were issued for the Jackson Soul Food, Two Guys Restaurant and the Just Right Barber Shop projects for a total cost of \$85,719. However, we noted that the time/attendance sheets submitted in connection with general consulting services also included separate and additional charges for the three projects. Our audit disclosed that a total of \$233,929.47 was disbursed to CADD in connection with “general consulting” services. The scope of work relating to the management of the construction of the parking lots, included final inspections, project acceptance and closing reports, however, 1 of the 4 parking lots managed by CADD did not pass the final building inspection because the construction permit did not include all the applicable addresses on which the parking lot was built. Additionally, no closing reports were submitted as required. CADD billed and was paid a total of \$73,387.20 for the management of the parking lots 2, 3, 4, and 5.

SIGNED AND SEALED CONSTRUCTION/RENOVATION PLANS HAVE NOT BEEN DELIVERED TO THE CRA.

- Pursuant to CRA Board Resolution number 98-14, which authorized new infrastructure improvements and other amenities along the NW 3rd Avenue Corridor, CADD was engaged to provide signed and sealed construction plans in a form that would allow for the issuance of appropriate building permits relative to structural modifications and renovations of Jackson Soul Food, Two Guys Restaurant and the Just Right Barber Shop. CADD was also engaged to provide sealed and design plans for three other projects (Townhouses, P2 Artist Residence and the Masonic lodge). A total of \$221,870.73 was disbursed to CADD in connection with all the projects as noted below.

Project	Purpose	Amount
Just right Barber Shop	Signed/sealed Construction Plan	\$ 22,800.00
Two Guys Restaurant	Signed/sealed Construction Plan	18,900.00
Jackson Soul Food Restau	Signed/sealed Construction Plan	34,719.00
Townhouses	Built/Design Plan	134,931.73
P2 Artist Residence	Sealed Plan	7,020.00
Masonic Lodge	Built Plan	3,500.00
		<u>\$ 221,870.73</u>

We noted that the signed and sealed construction plan for Jackson Soul Food Restaurant was completed and provided to CRA as agreed. According to the current Executive Director of CRA, the signed and sealed construction plans for the other projects as noted above had not been delivered to CRA as agreed. As of the date of this audit report, CADD and CRA are engaged in litigation. Pursuant to Resolution number 03-53 which was adopted and passed by the CRA Board on May 8, 2003, CRA contracted with T.Y. Lin International/HJ Ross and Associates to provide a new set of signed and sealed plans and construction oversight (serving as CRA owner's representative for the building renovations and modifications) in connection with Jackson Soul Food, Two Guys Restaurant, and the Just Right Barber Shop. The agreed amount for the new set of signed/sealed plan and construction oversight totaled \$70,000. This amount was increased by \$141,500 for a total of \$211,500, pursuant to Resolution number 03-79, which was passed on September 29, 2003. According to the

current Executive Director the construction plans prepared by CADD failed to meet current building code provisions.

CADD BILLED AND WAS PAID ADDITIONAL FEES FOR ATTENDING MEETINGS.

- Our review of the invoices disclosed that the CADD billed CRA and was paid for activities such as attending CRA Board meetings, CRA staff meetings, other CRA meetings/events, obtaining building permits, and training at Miami Micro data Inc. It is not clear why additional fees were paid to CADD for attending meetings pertinent to work orders relative to specific projects and/or general consulting services for which a lump sum amount had been paid as agreed upon. The amount paid totaled \$80,901.92, as tabulated below:

Check #	Purpose	Amount
295032	CRA Board meeting	\$ 6,772.75
292311	CRA Board meeting	3,942.90
295032	CRA staff meeting	5,664.00
299986	Margaret Pace Park ceremony	7,700.00
301344	Sub-contractor attending meeting	9,100.60
305862	P3 Training Course 601	1,094.50
various	* Obtaining building permits for parking lots	46,627.17
		<u>\$ 80,901.92</u>
	* City of Miami permit fees	\$ 14,967.07
	Parking fees	15.00
	ATC Associates	8,281.00
	Processing fees paid to CADD	23,364.10
		<u>\$ 46,627.17</u>

MARLINS BALLPARK STADIUM ANALYSIS.

- The CRA Board passed and adopted a motion on February 21, 2001, directing its Executive Director to prepare economic and technical feasibility study pertaining to the location of the Marlins baseball park within CRA area. On May 21, 2001 the CRA Board passed and adopted Resolution number 01-37 ratifying, approving and confirming the actions of the Executive Director and approving a contract and work authorization for ten consultants for said site analysis and appropriating an amount not to exceed \$220,001. However, we noted that a total of \$247,460 was incurred and disbursed to the following ten consultants:

Consultant	Period Service Was Provided	Description of Services Performed	Fees Paid
Bermello Ajamil	2/1/00 to 3/31/00	Develop a site evaluation process	\$ 23,071
Bermello Ajamil	3/1/01 to 3/31/01	Develop a site evaluation process	10,456
Bermello Ajamil	6/1/00 to 6/30/00	Develop a site evaluation process	3,571
Bermello Ajamil	5/1/00 to 5/31/00	Develop a site evaluation process	4,804
Hazen and Sawyer	3/12/01	Estimating costs of moving water & sewer	2,000
Dain Rauscher	4/09/01	Financial Advisory Services	20,141
Dain Rauscher	3/7/01	Financial Advisory Services	16,007
ATC Associate	3/07/01	Develop site evaluation methodology process	21,825
Parsons, Bricker., Quade, & Douglas, Inc	2/23/01 to 3/23/01	Stadium Location Analysis	27,221
Civil CADD	2/26/01 to 3/15/01	Develop site evaluation methodology process	45,000
HJ Ross	2/18/01 to 3/16/01	Develop site evaluation methodology process	34,850
Holland and Knight	3/1/01 to 4/30/01	General legal services	25,000
Anthony Abbate	3/20/01	Develop site evaluation methodology process	3,000
Gustafson & Roderman	3/7/01 to 3/16/01	Develop site evaluation methodology process	10,514
			<u>\$ 247,460</u>

Based on the above schedule, it appears that Bermello Ajamil was engaged long before CRA Board approved the technical feasibility study. Additionally, CRA records indicated that a total of \$41,902 was disbursed to Bermello Ajamil. The total amount disbursed exceeded the amount authorized by the CRA Board by \$27,459. The invoices reviewed were not descriptive enough and said invoices appear to indicate that six different consultants worked on developing site evaluation methodology/evaluation process and were paid a total of \$157,091.

Recommendation

We recommend that project accounting system be implemented and all on-going construction projects be properly monitored for compliance with the terms of the contract. The CRA Board should be provided sufficient summary information including amounts appropriated for projects and expenditures incurred on a regular basis. All invoices presented for payment should be properly reviewed to avoid duplicate payments. Attending CRA Board meeting should be part of a specific project or work order and not be an activity that should be paid in addition to the amount agreed upon.

Auditee's Response and Action Plan

See written responses on pages 100 through 107.

QUESTIONABLE USE OF TIF MONIES.

The records reviewed as part of this audit indicated that Southeast Overtown/Park West Community Redevelopment Agency (SEOPW-CRA) and the Omni Community Redevelopment Agency (Omni-CRA) disbursed a total of \$17 million of TIF and federal funds during the audit period October 1, 1998, through September 30, 2002. The amounts disbursed during each of the four fiscal years ranged from \$1.8 million to \$6.8 million. Our audit included procedures to determine whether selected expenditure transactions were consistent with the objectives articulated in the community redevelopment plans for the SEOPW-CRA and OMNI-CRA as shown on exhibits I and II, on pages 129 through 132. Our review disclosed the following questionable expenditures, which appear inconsistent with the said plans:

CELLULAR PHONES

- The telecommunication records reviewed disclosed that the following amounts were disbursed in connection with the use of cellular phones:

<u>Ended</u>	<u>Expenditures</u>	<u>Assigned cell. Phones</u>
September 30, 2002	\$ 6,972	5
September 30, 2001	7,685	9
September 30, 2000	15,120	11
September 30, 1999	-	-
	<u>\$ 29,777</u>	

Good business practice would dictate that a guideline/policy be used for the 24-hour assignment and use of cellular phones to CRA employees. Such guideline would describe the job functions and/or locations of job assignments that would be provided with cellular phones and also the employee's responsibility in terms of use of the said phone. The job functions and/or positions of some of the employees who were assigned cellular phones did not demonstrate the need for a 24-hour cellular phone assignment. For example, during the period October 1, 2001, through September 30, 2002, the former Acting Executive Director was paid cellular telephone allowance of

\$150 a month. We also noted that CRA made direct monthly payment to Cingular Wireless Telecommunication Company (Cingular) for the Acting Executive Director's personal cellular telephone. The amount disbursed to Cingular during the period September 1, 2001, through March 31, 2003 totaled \$2,344.15, which included \$686.58 of long distance telephone calls mostly to the Bahamas and also to Canada, New York, and Washington DC. Upon audit inquiry, we were informed that the former Acting Executive Director's personal cellular telephone was assigned to another CRA employee. CRA records indicated that the employee reimbursed CRA only \$433.84 and \$252.74 was still due and outstanding from personal long distance calls made by the employee. Upon further audit inquiry, the \$252.74 was reimbursed to CRA. The current Executive Director stated that except for the cellular phones assigned to him and his Chief of Staff, the payment of cellular phone stipend and/or direct payment to Telecommunication Companies for cellular phones used by CRA employees was discontinued in March 2003.

RENEWAL OF WORK PERMIT/CONTRACT SERVICES IN BAHAMAS – CRA INTERN.

- We noted that CRA disbursed two separate checks on May 5, 2002 and June 21, 2002, that were made payable to a CRA employee (intern) in connection with a project described as "Contract Services in Bahamas." The two checks totaled \$4,250. We were informed by the employee that he traveled to the Bahamas during the period April 2002 through May 2002 for the purpose of renewing his work permit. The employee further stated that the former Acting Executive Director directed him to perform the following CRA related activities during his visit to the Bahamas:
 - Take pictures of existing Bus Benches and gazebos in the Bahamas.
 - Create/prepare original design and detail sketches of Bus Benches compatible for Overtown with Bahamian flair.
 - Create/prepare original design and detail sketches of "open-air" Gazebos compatible for Overtown with Bahamian flair which would accommodate 200-400 people.

There is no evidence to indicate that this project and the related expenditure were reviewed and approved by the CRA Board. It appears that the former Acting Executive Director solely approved this expenditure item. We also noted that said employee was paid \$1,384.80 in wages for the pay period March 24, 2002 through April 5, 2002. A hand written note on the supporting Biweekly Time Sheet stated that the said employee was not present to complete and sign the time sheet as required. An employee on CRA payroll who also engaged in a contract with CRA appears to constitute conflict of interest. Upon audit inquiry, we were informed that the Bus Benches with Bahamian flair would replace the blighted and dilapidated ones and would also transcend the first settlers of the community who were Bahamian. Although, the employee traveled to the Bahamas during the period April 2002 through May 2002, and was paid \$4,250, to create/prepare original design and detail sketches of Bus Benches and “open-air” Gazebos compatible for Overtown with Bahamian flair, the said project (design and detail sketches) is yet to be initiated and no bus benches have been installed. Other than a picture of bus benches and designs of computer animated Gazebos drawings, there is no identifiable tangible benefit resulting from this disbursement of TIF monies (public funds). Additionally, by combining CRA official matters with the renewal of his work permit, which is personal, and also being paid \$1,384.80 as CRA employee at the time he was engaged to perform a \$4,250 contractual project, gives the appearance of impropriety. Our review of the Form 1099-MISC issued in connection with the \$4,250 consulting fees paid to the employee, as required by the Internal Revenue Services, disclosed that only \$2,125 was reflected on the Form 1099-MISC.

LEGAL FEES FOR THE BENEFIT OF CRA EMPLOYEE AND CERTIFICATION OF PETITION FOR A NONIMMIGRANT WORKER.

- Our review of the fees paid to Holland and Knight, LLP (HK) disclosed that a total of \$3,380 (check number 327169) of TIF monies was disbursed to HK in connection with the preparation and filing of I-129H petition for nonimmigrant worker and related

reimbursable cost solely for the benefit of the same CRA employee discussed in the prior bullet. Our review of the “Petition for a Nonimmigrant Worker” form which was completed by HK on behalf of CRA, disclosed that the former Acting Executive Director certified that she was empowered to sign the said petition. The petition stated that the employee’s rate of pay will be \$36,000 annually, and was for the period July 01, 2002, through July 01, 2005. Upon audit inquiry, the current Executive Director stated in a written response: “Sponsorship of individuals for this type of service is customary by both private and public sectors and, in fact, individuals requesting such assistance from U.S. Immigration must have an employer sponsor.” However, there is no document to evidence CRA Board’s review, consideration and approval of the petition and/or the use of TIF monies to pay for the said petition.

CERTAIN BOOKS AND PERIODICAL PURCHASED WITH TIF MONIES COULD NOT BE LOCATED.

- Our review of expenditures detail report disclosed that a total of \$14,842.49 of TIF monies was used to purchase books and periodical during the period October 1, 1999, through September 30, 2002, as discussed below:
 - The former Acting Executive Director was paid \$668.25 (check number 330481) to be used for the purchase of books from the Government Finance Officers Association. These books could not be located.
 - A total of \$7,662.24 was disbursed for the purchase of Congressional Quarterly and books from Prentice Hall and Barnes and Noble. The said books/periodicals could not be located.
 - A total of \$2,512 was used to purchase 100 copies of a book titled “I Come To Get Me” and a “root cassette” tape from Doongalik Studio located in Nassau, Bahamas. The said books could not be located. Upon audit inquiry, a CRA employee via email stated: “Books were supposed to be distributed among audience while showing of his presentation at the Lyric Theatre.”

- A total of \$4,000 was disbursed to Devor and Sons for the purchase of 400 books titled “The Negro in Business.” The purchase of the books was made on July 3, 2001 and 2 years after the purchase, the said books are still in boxes and stored in the CRA Office. In response to audit inquiry, the current Executive Director stated: “I am not quite sure why they were originally purchased, nor can staff members give me an exact reason.”

LEASED OFFICE SPACE WAS NEVER AND IS STILL NOT BEING USED.

- On January 28, 2002, the CRA Board passed and adopted Resolution number 02-06, which authorized the Executive Director to enter into a rental agreement with the Masonic Lodge (located at 941 NW 3rd Avenue) at monthly cost not to exceed \$500 or \$9,000 for a period of 18 months with such rental agreement retroactive to June 1, 2001. The purpose of the lease of the office space was to move Overtown’s NET Office to the Masonic office space. It is not clear why a retroactive lease beginning June 1, 2001 was approved since the said office space was never used for any verifiable CRA activity during the period June 1, 2001, through January 28, 2002. Based on the terms of the lease Agreement, the 18 months lease would have run from June 1, 2001, through November 30, 2002. However, Resolution number 03-14, which was passed and adopted on February 28, 2003, authorized the Executive Director to extend this agreement through “month to month” lease agreement with Masonic Lodge. The “month to month” lease agreement was retroactive to December 1, 2002, and as of August 1, 2003 the leased office space for which approximately \$13,000 of TIF monies had been disbursed to Masonic Lodge is still not being used for the purpose intended.

FESTIVALS.

- Tax increment financing (TIF) is a funding source for redevelopment. Section 163.340(9), Florida Statute, describes ‘redevelopment’ as undertakings, activities, or projects of a community redevelopment agency in a community redevelopment area for the elimination/prevention of the development or spread of slums and blight or for the

reduction or prevention of crime, or for the provision of affordable housing, in accordance with a community redevelopment plan. Section IV(M)4, of the SEOPW plan allows for programs or events that recreate the feeling and atmosphere of “Historic Overtown” including holding jazz concerts, cultural and art festivals within the SEOPW-CRA boundaries. The disbursement records reviewed disclosed that the following amounts (TIF monies) were disbursed in connection with various festivals, entertainment, and related activities:

<u>Fiscal Year Ended</u>	<u>Festival/Entertainment Expenditures</u>	<u>Ratio to total Operating Expenditures</u>
September 30, 2002	\$ 177,718	3.00%
September 30, 2001	63,593	1.00%
September 30, 2000	3,173	0.11%
September 30, 1999	-	-
Total	<u>\$ 244,484</u>	

However, we noted that the following events took place outside CRA geographical boundaries:

- Real Men Cook Project (event took place on the campus of Florida Memorial College during fiscal year ended 2002);
- Goombay Festival (VIP reception took place in Hyatt Regency Hotel in Downtown Miami during fiscal year ended 2002);
- Jubilate (event took place in Gusman Center during fiscal year 2001);
- Boys and Girls Club/Dan Marino Foundation (event took place in Hyatt Regency Hotel in Downtown Miami during fiscal year 2001);
- Things are Cooking in Overtown (event took place at the Miami-Dade Community College, Wolfson Campus, downtown during fiscal year ended 2001);
- Bahamas Junkanoo Revue (event took place Bayfront Park during fiscal year ended 2002); and
- Amistad (event took place at Bicentennial Park during fiscal year ended 2002).

A total of \$96,307.64 of TIF monies was disbursed in connection with the above events. Additionally, a total of \$6,150 of TIF monies was used to pay for the framing of pictures in connection with the Haitian Art Festival in fiscal year ended 2002. CRA records indicated that \$3,260 was paid to Frames Art, Inc and \$2,890 was paid to a former Executive Director as reimbursement. We were informed that a majority of the framed artwork was returned to the artists at the end of the exhibition. The above activities that were held outside the SEOPW-CRA boundaries do not appear to be consistent with the objectives articulated in the community redevelopment plans for the SEOPW-CRA.

FOOD/ENTERTAINMENT.

- Our review of pertinent records/receipts disclosed that approximately \$11,180 of TIF monies were used to purchase food and to reimburse CRA employees for the use of their personal funds to purchase food and beverages that were used for various CRA activities during the fiscal years ended 2001 and 2002. These purchases do not appear to be consistent with the objectives articulated in the community redevelopment plans. In a written response, the current Executive Director stated that CRA was obligated to provide food and refreshments to its guests during meetings. However, we noted that the budget document, which was approved by the CRA Board, did not include a line item for food/beverages, and therefore, does not appear to authorize the use of TIF monies for such purchases.

ARTIST IN RESIDENCE.

- Pursuant to an “Artist- In-Residence” (Artist), program, CRA disbursed TIF monies during the period July 2000 through August 2001, for the following purposes:

Description	Amount
Clothing for the Artist	\$ 1,496
Food for the Artist	7,860
Painting supplies used by the Artist	1,233
Purchase of artwork from the Artist	2,750
Housing *	11,000
Total	<u>\$ 24,339</u>

* - The Artist only used a limited portion of the housing as residence.

CRA records indicated that the amount disbursed for this Artist-in-residence program included personal cash payments to the Artist by certain CRA officials. The records reviewed indicated that the officials that made the personal cash payments were subsequently reimbursed with TIF monies. The said Artist is related to the owner of the property located on 910 Northwest 2nd Court property, which was purchased by CRA in June 2002. The Agreement indicated that the Artist would produce 2 original paintings each month. In accordance with this Agreement a total of 28 original paintings would have been produced during the period of the Agreement. However, we could only locate 8 paintings.

SALES TAX WAS PAID ON TRANSACTIONS.

- CRA is a governmental entity and therefore is exempt from paying sales/use taxes. However, our review of selected records/invoices disclosed that CRA routinely paid sales tax on the purchase of office supplies, hotel charges, car rental services, airfares, and food/beverages. Our review of 48 purchase transactions during the audit period disclosed that \$1,209.66 of sales tax was assessed and paid on routine basis. The current CRA Executive Director noted that Office Depot has agreed to reimburse CRA for all the taxes paid by CRA. He also noted that CRA now pays for all travel related expenditures in advance with City checks to avoid the assessment of sales/use taxes.

OTHER QUESTIONABLE EXPENDITURES.

- Our audit disclosed other questionable expenditures, as noted below:
 - A total of \$19,812.98 of TIF monies was disbursed to an Artist (George Sanchez) in connection with a project titled, “The Blessing.” This project consists of a total of 13 paintings. However, we noted that the CRA Board approved only \$15,000 for this project. In a written response, the current CRA Executive Director stated that the project was designed to act as a catalyst for economic development, attracting over twenty thousand serious art collectors from around the world, passing through CRA boundaries.
 - The use of \$720 of TIF monies to pay for two limousine services that were provided by Star Line and Dynasty limousine Services. It was not clear who used the said limousine services. Upon audit inquiry, we were informed that the expenditure was in connection with back to school event that was sponsored by CRA.
 - The use of \$675 of TIF monies to pay for a hotel room used by the Director of Fiscal Operations during the period August 7 through 11, 2000, in Baltimore, Maryland. The public purpose of this expenditure was not documented. The current CRA Executive Director noted: “I do not know the reason for the stay.”

Fiscal accountability/integrity are necessary to ensure public trust/confidence in the process used to disburse public funds.

Recommendation

We recommend that internal control procedures be implemented to ensure that the use of TIF monies is consistent with the objectives articulated in the community redevelopment plans. The public purpose of all expenditures should be identified and properly documented.

Auditee's Response and Action Plan

See the written responses on pages 108 through 119.

CONTROL DEFICIENCIES OVER THE MANAGEMENT OF FIXED ASSETS.

The CRA reported capital assets of approximately \$10.9 million at September 30, 2002. An effective system of internal control would require that the annual physical inventory count be compared to the property records and all discrepancies properly investigated and a report of all missing items filed with the appropriate law enforcement agency describing the missing items and the circumstances surrounding the disappearance. To safeguard against theft and/or loss, fixed assets of certain threshold value should be tagged. However, our review of fixed assets records for the period October 1, 1998, through September 30, 2002, disclosed the following control deficiencies:

- Our review of the inventory listing disclosed that a Kodak digital zoom camera and three organizer/palm handheld pilots, with a total value \$900, were listed as stolen/lost or items that could not be located. However, there was no evidence to indicate that missing/stolen report was filed with any law enforcement agency.
- We obtained and reviewed invoices for the goods purchased during the period October 1, 1998, through September 30, 2002. Our review disclosed that an Omnibook Pentium computer laptop, which was purchased on March 18, 2002 for \$1,975 and a laser printer/fax that was purchased for \$800, were not included on the inventory listing of capital assets and the said computer and the laser printer/fax were missing and could not be located. We were informed that the two inventory items may have been stolen. Again, there was no evidence to indicate that missing/stolen report was filed with any law enforcement agency.
- To verify the existence of certain inventory items and the accuracy of the pertinent inventory records, we tested a total sample of 107 items. The tests performed included visual identification of capital assets and tracing of those items to the property records, and also the selection of a sample of items from the property records and verifying the existence of those items. Our test disclosed that a Chevy Pick-Up, year 2000 model, valued at \$12,801.45 was not included on the capital asset inventory listing. In

response to audit inquiry, the current Executive Director stated that the omission was an oversight.

Recommendation

We recommend that CRA enhance its controls over the accountability of fixed assets and ensure that public property are properly safeguarded against losses and/or theft.

Auditee's Response and Action Plan

See the written responses on pages 120 and 121.

INADEQUATE QUALIFIED STAFF TO PERFORM WORK AND TASKS ASSIGNED.

One of the audit objectives stipulated in City Commission Resolution number 3-324, which authorized the audit of CRA, directed a review of personnel issues including but not limited to adequacy of staff and credential to perform work and tasks assigned. Employees are the most important assets of any organization/agency. Therefore, good business practice would require the hiring, training, and development of employees to be properly managed. We noted that CRA currently has 10 fulltime positions and 1 part-time position. Our audit disclosed that approximately \$2.2 million was disbursed for salaries and benefits during the audit period October 1, 1998, through September 30, 2002. The records reviewed indicated that CRA disbursed approximately \$125,170 for hiring temporaries and spent additional \$1.98 million as analyzed below for consulting fees during the audit period:

Consultants	Fees Paid
Holland and Knight	\$ 922,357
HJ Ross and Associates	697,874
Other Consultants	361,030
Total	<u>\$ 1,981,261</u>

Our Review of CRA personnel and other pertinent records, disclosed the following deficiencies:

LACK OF PERSONNEL POLICY.

- In accordance with Section 163.340(9), Florida Statute, Community Redevelopment encompasses undertakings, activities, or projects that would eliminate and prevent the development or spread of slums and blight; reduce and prevent crimes; provide affordable housing; slum clearance; and revitalize coastal resort and tourist areas that are deteriorating and economically distressed in accordance with a community redevelopment plan. To achieve said undertakings, a clear and cost effective personnel policy is necessary. It appeared that during the audit period CRA relied more on consultants, which in some cases were obtained through non-competitive process. An

effective personnel policy would address issues such as job needs/descriptions, in-house/out sourcing of services, salary ranges, qualifications, experience, training requirements, benefits, and staff development.

THE LACK OF CONTINUITY OF EMPLOYMENT AT KEY ADMINISTRATIVE POSITIONS AND THE LACK OF RELEVANT EXPERIENCE.

- Effective leadership, continuity of employment, relevant experience, and the proper monitoring and coordination of all pertinent efforts would be necessary to accomplish all the tasks and undertakings stipulated in Section 163.340(9), Florida Statute, as it relates to CRA's mission. During the audit period there appeared to be lack of continuity of employment at the position of the Executive Director and other key positions. For example, during the audit period October 1, 1998, through September 30, 2002, CRA had a total of six Executive Directors. Additionally, Executive Directors were not required to possess prior work experience in activities and/or undertakings relative to redevelopment/revitalization of deteriorating and economically distressed areas.

THE LACK OF RELEVANT PRIOR WORK EXPERIENCE AND/OR CREDENTIALS RELEVANT TO THE POSITION ASSIGNED.

- Our review of payroll/personnel records disclosed that a position titled "Planning and Program Administrator" was funded during the audit period. The Employees/Positions listing, which described the job functions states: "Directs the coordination of an urban planning program, including the coordination, development and effectuation of the comprehensive plan, amendments to the plan, site plans, and reports." Therefore, the skills necessary for the position as described would be extremely useful in revitalizing deteriorating and economically distressed areas. However, the education and/or prior work experience of the incumbent in the said position is not in the area of planning as suggested by her job title. CRA records indicated that it paid approximately \$697,000 to HJ Ross and Associates (consultants) during the audit period for providing services,

which included but not limited to reviewing work orders, providing constructions management services, and conducting field visits to constructions sites.

- Payroll/personnel records disclosed that two positions titled “Neighborhood Liaison” were funded during the audit period. The incumbents in the two positions are currently the Neighborhood Liaison for the Omni and SEOPW CRAs. However, we noted that 1 of the 2 CRA liaisons did not complete High School.
- One employee is currently assigned to the position of Agenda Coordinator. However, there is no transcript and/or diploma on file to substantiate that the incumbent in this position earned an Associate Degree in Psychology and Literature, as stated on her employment application. Additionally, HJ Ross Associate, Inc., and Holland and Knight were paid for services relating to coordination of Agenda items.
- One part-time employee is assigned to the position of Public Information Officer. However, there is no transcript and/or diploma on file to substantiate that the incumbent in this position earned a bachelor degree in music, as stated on her employment application.
- Our review of payroll/personnel records disclosed that positions titled “Comptroller” and “Chief Financial Officer” were funded during parts of the audit period. However, our audit identified material deficiencies in the areas of project cost accounting, lack of accounting for encumbrances, inadequate procurement procedures, lack of overall financial accounting and reporting system. We noted that KPMG LLP, CRA’s external auditor during the audit period was also engaged in a separate consulting service and paid a total of \$18,400 to articulate a financial accounting manual to be used by CRA. The said manual was finalized in October 2000. However, this Accounting Manual is currently not being used. Additionally, another external accounting firm is currently providing accounting services at an hourly rate of \$150 for a partner, \$120 for a manager, \$110 for a senior and \$95 for a staff. The maximum amount payable under this contract is \$80,000.

Recommendation

We recommend that CRA implement a personnel policy that would address issues such as job needs/description, in-house/out sourcing of services, salary ranges, qualifications, experience, training requirement, benefits and staff development.

Auditee's Response and Action Plan

See responses on pages 122 and 123.

INADEQUATE PERSONNEL AND PAYROLL RECORDS.

Title 8, Chapter 12, Subchapter II, Part VIII, Section 1324 a (1) of the United States Code (USC) states that it is unlawful to hire an individual in the United States without complying with the requirements of the employment verification system. Section 1324 (b) of USC, titled *Employment Verification System*, provides that each employee is required to complete an Employment Eligibility Form (I-9) that will confirm proper work authorization. The I-9 form contains a list of documents that are considered acceptable proof of identity and employment eligibility. The prospective employee must present original identification prior to the start of employment. The prospective employee must attest that he/she is a citizen or national of the United States, an alien lawfully admitted for permanent residence or an alien who is authorized to work. The employer or entity must also attest that it verified that the prospective employee is authorized to work in the United States. Section 1324 (e) (5) of USC, provides penalties for record keeping violations that range from \$100 to \$1,000 per occurrence. Penalties for knowingly employing an unauthorized alien range from \$250 to \$10,000 per violation. During the period October 1, 1998, through September 30, 2002, CRA disbursed approximately \$2.2 million in payroll related expenditures. The Payroll costs for the four fiscal years audited ranged from 9% to 20% of CRA's total operating costs. Our review of the personnel files disclosed the following deficiencies:

CERTAIN REQUIRED DOCUMENTS WERE NOT OBTAINED AND FILED IN EMPLOYEES' PERSONNEL FILES.

- Our review of 9 of the 10 personnel files of fulltime employees whose annual salaries ranged from \$24,960 to \$45,671, disclosed that 7 personnel files did not have a copy of the Employment Eligibility Form (I-9) as required by Section 1324 (b) of the USC.
- Four (4) of the 9 files tested did not have a copy of the employee's social security card as required. A social security card indicates whether or not a prospective employee is authorized to work.

- All 9 personnel files tested did not include evidence of verification of previous employment and education. Such verification would ensure that the applicants met all the requirements for the position.
- Five (5) of the 9 employees' files reviewed did not include evidence of background checks. Such a check would uncover questionable character issues and/or ethical problems with a prospective employee.
- Two (2) of the 9 employees' files reviewed did not include copies of driver's license and evidence of drug tests. Driver's license provides additional verification of a prospective employee's identity and the drug test ensures that work product, performance and attendance would not be compromised.

PAYROLL EXPENDITURES

Good business practice would require that payroll disbursements be supported by Daily Attendance Report (DAR), completed and signed by all employees and approved by a supervisor. During the audit period CRA disbursed the following amount in connection with salaries, excluding consulting fees/expenditures:

<u>Fiscal Year Ended</u>	<u>Salaries Paid</u>	<u>Ratio of Salaries to Operating Exp.</u>
September 30, 2002	\$ 672,125	10%
September 30, 2001	833,040	14%
September 30, 2000	536,788	20%
September 30, 1999	166,305	9%
	<u><u>\$ 2,208,258</u></u>	

Our review of transactions for 12 payroll periods during the period October 1, 1999, through September 30, 2002, disclosed the following deficiencies:

- The daily attendance report (time sheet), which documented the attendance of all employees for 9 of the 12 or 75% of the pay periods tested, did not include any

evidence of supervisory review and approval of the time worked by employees. The dollar value of the payroll amount disbursed totaled \$69,264.75

- Approximately \$23,013 (693.25 hours) was disbursed in payroll expenditures without any supporting time and attendance records.
- We noted four instances where the number of hours for which employees were paid exceeded the actual number of hours the employees indicated that they worked, as shown on the timesheet. The additional amount paid to the employees in the four instances totaled \$622.65.
- Our review of the records supporting 21 instances where consultants were paid, disclosed no evidence clearly describing the nature/scope of services for which \$57,988 (718 hours) was paid. Additionally, only \$32,875 (384.25 hours) of the \$57,988 of the consulting expenditures was supported by timesheet.
- We noted that a former Executive Director (exempt employee) was compensated for the hours worked in excess of the regular 40-hour work week. The aggregate amount, which was approved by the same former Executive Director for the period July 7, 2000 through October 27, 2000, totaled \$2,072. There is no written agreement that substantiates that he was entitled to the additional wages.
- We requested but CRA was unable to locate the daily attendance records and other pertinent sources documents supporting the \$166,305 that was disbursed as payroll expenditures for the period October 1, 1998, through September 30, 1999. Therefore, we could not determine the propriety of the expenditures incurred during the said period.

SEVERANCE PAY

- Our audit disclosed that three former employees/consultants who worked in various capacities at the CRA and for the periods ranging 10 months to 1.5 years were paid a total of \$12,968 as severance compensation at the time of termination. Our review of the former employees' terms of employment and personnel files did not indicate that the employees were entitled to such severance pay. Additionally, the CRA Board's consideration and approval was not evident from the documents reviewed.

ADDITIONAL SALARY COMPENSATION

- We noted that a Public Works division employee in the City of Miami was temporarily assigned to the CRA on December 15, 2001. The purpose of the assignment was to assist in construction management. We noted that the employee received his regular \$2,248.46 bi-weekly salary from the City and an additional \$461.54 bi-weekly pay from CRA. The additional salaries (TIF monies) paid to this employee for the period December 2001 through January 2003, totaled \$12,692.35. The justification and/or the CRA Board's approval of this additional TIF monies paid to this employee was not evident from the records reviewed.

Absent required documentation prior to employment, and proper completion of required personnel/payroll records, CRA cannot be assured that employees are eligible to work and also that employees are paid only for the time worked.

Recommendation

We recommend that CRA enhance its internal control procedures to address all the weaknesses noted.

Auditee's Response and Action Plan

See written responses on pages 124 through 126.

BUDGET DOCUMENTS WERE NOT SUBMITTED TO THE COUNTY AS REQUIRED AND BUDGET CONTROL DEFICIENCIES.

Pursuant to an inter-local cooperative Agreement between the City of Miami (City) and the Miami-Dade County, CRA is required to submit its budget annually to the Board of County Commission. Based on the records reviewed, it appears that CRA submitted the budgets for Omni area (Omni) for the fiscal years 2000 and 2001, and the budget for the Southeast Overtown/Park West area (SEOPW) for the fiscal year 2000. We noted that the County reviewed the budgets submitted and noted that CRA failed to submit budget data relative to non-TIF revenues and expenditures for those periods. There were no records to substantiate that budget data were submitted for the Omni CRA for the fiscal years 1999 and 2002, and for the SEOPW CRA for the fiscal years 1999, 2001, and 2002.

Furthermore, our comparison of the amounts budgeted for expenditures to actual expenditures incurred disclosed the following:

- Two functional expenditure line items (community development and capital outlay) in the SEOPW-CRA were overspent by \$375,000 and \$2,627,322, respectively during the fiscal year ended September 30, 2001. However, the total actual expenditures incurred were less than the total budgeted expenditures for all expenditure categories by \$11,371. Additionally, the capital outlay category expenditure line item in the OMNI CRA's Special Revenue Fund was overspent by \$375,094 during the fiscal year ended September 30, 2001 and the total actual expenditures exceeded the total budgeted expenditures by \$307,437. The Anti-deficiency Act as codified in Sections 18-500 through 18-503 of the City Code prohibits CRA from incurring expenditures in excess of budget.
- Three functional expenditure line items (general government, principal and interest) in the SEOPW-CRA were overspent by \$986,827, \$115,000, and \$242,675, respectively during the fiscal year ended September 30, 2002. However, the total actual

expenditures incurred were less than the total budgeted expenditures for all expenditure categories by \$1.2 million.

Recommendation

We recommend that CRA implement procedures that would require budget amendment to be prepared in a timely manner and adopted by the Board of Directors. All budget amendments should be recorded in the accounting system to preclude incurring expenditures in excess of approved budgetary authority and available resources for all functional categories.

Auditee's Response Action Plan

See written response on page 127.

TIF MONIES THAT WERE ADVANCED AS LOANS AND/OR GRANTS WERE NOT TRACKED AND PROPERLY ADMINISTERED.

Pursuant to Resolution number SEOPW/CRA 02-63, which was passed and adopted on April 25, 2002, six forgiven loan advances ranging from \$1,245 to \$13,788.03 for a total of \$42,557.03 was approved and disbursed to Club Exile during the period May 02, 2002, through July 12, 2002. However, the said loan advances were disbursed, without executed loan agreement and/or promissory note. We noted that none of the amounts advanced had been repaid to CRA and we were informed that Club Exile was sold and now operates under new management. Due to lack of an Agreement or promissory note, the nature (grants or repayable loan) of this transaction is not evident from the CRA records reviewed. We were informed that Club Exile contends that the advances received from CRA were grants, which are not repayable. Upon audit inquiry, the current Executive Director, in a written response stated that CRA's legal counsel is reviewing the transactions and will recommend the necessary action plan.

Recommendation

We recommend that CRA implement loan management policy that would include complete listing of all loans advanced, the CRA Board Resolution authorizing said loans, payment history, due date, collateral description, and maturity date. All outstanding loans should be recorded on the financial statements.

Auditee's Response Action Plan

See written response on page 128.

ONGOING INVESTIGATION OF CRA.

There are two separate ongoing investigations pertaining to CRA's financial transactions. The United States District Court, Southern District of Florida subpoenaed certain CRA financial records on July 17, 2003. The State Attorney's Office also subpoenaed certain CRA financial records on July 3, 2003. These investigations are active and ongoing as of the date of the report.

LITIGATION.

The SEOPW-CRA/Omni-CRA districts jointly with the City of Miami are involved in several pending legal actions. In the opinion of CRA management, based upon consultation with CRA legal counsel, the range of potential loss from all such claims and actions would not materially affect the financial condition of the districts.

Igwe, Victor

From: Rodriguez, G. Barbara
Sent: Friday, July 11, 2003 12:24 PM
To: Igwe, Victor
Cc: Haskins, Linda; Rollason, Frank; Rosemond, Daniel; Gasca, Hilda
Subject: CRA Audit - Period October 1, 1998 - September 30, 2002

The following information is provided in response to your memorandum dated June 20, 2003:

1. CD does not reimburse for "Lobbying" activities. Please note that all attorney fees invoices are reviewed and authorized by the City Attorney prior to CD disbursing any funds. CD pays only the portion of the bill for project related costs. CRA uses either TIF or General Funds to pay for any other activity.

We did go back and reviewed the referenced October 23, 2000 Holland and Knight's invoice in the amount of \$74,476.18. That invoice, and another one in the amount of \$2,375.21 are being revised and charged back to CRA through a journal entry. Both invoices were part of a larger reimbursement request and it was an oversight on the part of CD staff to pay either invoice. Neither invoice was approved by the City Attorney.

2. According to Jim Villacorta, Assistant City Attorney, and attorney for CRA, they are exempt from the City Code. This issue will be addressed by CRA directly.

In the case of the procurement procedures, please note that CRA piggy-backed on the City of Miami Public Works Department's list of approved professional firms in their individual expertise. In the case of Bermello and Ajamil, CRA piggy-backed on the City of Miami Professional Services Agreement with the firm dated August 26, 1996. In addition and in reference to sub-consultants, the contract between CRA and Bermello Ajamil, Article 14.a, states that "The City Agreement designates certain Approved Sub-consultants, and that the contractor shall employ Approved Sub-consultants where their specialties are required to perform the work for an assigned...."

In order to completely address Item 2, please provide specifics on each vendor: amount paid, date paid, date of invoice, etc.

9/10/2003

3. Please refer to our e-mail dated May 22, 2003, item 7, in which we responded to you that we have always treated CRA and City Departments as part of the City of Miami, therefore, we have never monitored those activities or requested an audit. Nevertheless, as explained in our response of your e-mail dated May 13, 2003, the policy of this department has been changed as of October 1, 2003.
4. Invoices in question were paid on an emergency basis due to the fact that reimbursement was requested a year after the expenditures had already been incurred. On July 15, 2002, a meeting was held with Annette Lewis in reference to the Overtown Optimist invoices. Pursuant to the meeting, the attached e-mail, dated July 18th 2002, was sent to Annette Lewis recapping said meeting. Page 2 of 2 clearly states that Community Development would not entertain further invoices submitted for payment without the 3 bids. That we would treat those items presented in the package as emergencies. The invoices in question will be enclosed under separate cover.
5. Expenditures incurred under CRA's operating account project codes during Fiscal Year 1999-2000 (25th CDBG Year) were not reimbursed with CDBG dollars until Fiscal Year 2000-2001. CRA submitted the corresponding invoices and supporting documentation at the end of the fiscal year. Consequently, the associated drawdown in the amount of \$379,000.00 was processed and finalized at the beginning of Fiscal Year 2000-2001 at which time the revenue was also transferred to CRA by way of a journal entry. Enclosed under separate cover, please find all supporting documentation associated with these draw downs.

Community Development staff has been unable to locate all documentation dating back to 1998/99.

Records located as of this date include the following:

- List of Draw downs totaling \$371,999.64
- Documentation for draw downs totaling \$287,817.20

In an effort to comply with your request, staff will continue to search for the requested records which, if obtained, will be made available to your office immediately.

9/10/2003

CITY OF MIAMI, FLORIDA

INTER-OFFICE MEMORANDUM

TO: Victor I. Igwe
Auditor General
Office of the Auditor General

DATE: September 2, 2003

FILE:

SUBJECT: CRA Audit

FROM: Barbara Gomez-Rodriguez
Director
Department of Community Development

REFERENCES: Your follow up dated
ENCLOSURES: August 14, 2003

The following are Community Development responses to your Memo dated August 14, 2003.

Item 1: **CDBG Monies were used to pay for general government expenses**

CD Response:

CRA is a project with many activities. The CRA activity funded by CD is an "economic development" activity allowable under CFR24-570.203, which states that a sub-recipient may use CDBG funds for Special Economic Activities which may be carried out as part as an economic development project. The expenditures processed and reimbursed under this activity are allowable expenditures under CFR24-570.203 as long as the activity meets the requirements of at least one of HUD's national objectives as stated under CFR24-570.208.

This being the case, it is important to note that CRA met the criteria for the national objective of "activities benefiting low and moderate income persons through job creation and retention under this activity.

Item 2: **CDBG monies were used to pay for CRA administrative staff salaries expenses**

CD Response:

CRA is a project with many activities. The CRA activity funded by CD is an "economic development" activity allowable under CFR24-570.203, which states that a sub-recipient may use CDBG funds for Special Economic Activities which may be carried out as part as an economic development project. The

expenditures processed and reimbursed under this activity are allowable expenditures under CFR24-570.203 as long as the activity meets the requirements of at least one of HUD's national objectives as stated under CFR24-570.208.

This being the case, it is important to note that CRA met the criteria for the national objective of "activities benefiting low and moderate income persons through job creation and retention under this activity.

Item 3: **CDBG monies were disbursed without the benefits of bids, RFPS and/or quotations**

CD Response:

The CRA is afforded wide latitude when awarding contracts for goods and services and is generally only required to act in good faith and the best interest of the public . See City of Miami Code 18-72; FL AGO 78-122, FL AGO 98-28. Section 85.36 (b)(1) of the CFR requires that grantees and subgrantees will use their own procurement procedures which reflect applicable state and local laws and regulations.....

Per Article XVIII of the City Charter, 8 CRA is exempt from the City's Procurement Ordinance.

Article XVIII, Sec. 18-72 (a) (1) of the Code of the City of Miami, establishes application and exclusions of the code's competitive bidding requirements. Section 18-72 provides: that: "Regardless of the source of funds, including state and federal assistance monies, and except as otherwise specified by law, the provisions of this article shall apply to every purchase/procurement by all city entities or boards, as hereinafter defined, **except for the community redevelopment agencies.**"

As summarized in AGO 78-122: "In the absence of statutory requirement for competitive bidding, sheriffs (*agencies*) are not required by law or public policy to enter into competitive bidding in making purchases of goods, supplies and equipment. Sheriffs (*agencies*) may, but are not required to, utilize a system of competitive bids when purchasing goods, supplies, and equipment for their offices and may expend reasonable amounts of public funds to advertise for and secure such bids."

Similarly AGO-93-28 addressed substantially the same question in the context of legal services, that is, whether an agency, created by special act, is required to competitively bid contracts for independent legal services. In AGO 93-28, Florida's Attorney General concluded that the "agency", was not required to competitively bid contracts for independent legal services. As in that case, the

CRA was created by special act of the Legislature as a body politic and corporate, to, among other things, improve and develop certain areas within limited City boundaries.

As previously explained, except for two invoices paid to Holland and Knight for lobbying fees which have been disallowed by CD, all other fees were determined to be allowable. A journal entry is being prepared by CRA for reimbursement of the disallowed cost. These funds will be returned to HUD.

Furthermore, legal invoices are reviewed by the City Attorney who reviews the extent of legal services performed for authorization prior to forwarding them to the Department of Community Development for reasonableness determination of whether the entire invoice or a part thereof is an allowable expenditure under the specific project's activity.

Item 4: Source documents supporting the disbursement of CDBG monies were not retained for audit

CD Response:

Our records indicate that the above mentioned documents were submitted to your office on July 11, 2003 as part of a response package to your memorandum dated June 20, 2003. A duplicate copy is being provided

If you have any questions, please contact Hilda Gasca at extension 2144 or contact me at 305-416-1978.

cc: Linda Haskins, Chief Financial Officer
Alejandro Vilarello, City Attorney
Frank Rollason, Executive Director
Community Redevelopment Agency

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

September 17, 2003

RECEIVED
SEP 17 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS: COMPETITIVE BIDS/QUOTATIONS AND/OR
WRITTEN AGREEMENTS WERE NOT EXECUTED

Dear Ms. Severe:

Please be advised that I have implemented the procedure of competitively bidding requests for goods and services since, I have been the Executive Director. Any items above \$4,500.00 are brought before the Board either for advanced authorization or for ratification if emergency action was required. I want to emphasize that this is my personal policy even though it appears within Florida Statute 163 such procedures are not required. I agree that competitive bidding can result in getting best price, but on some occasions, price is not the controlling factor.

I also note in your findings that you show on Exhibit A, #11 as H.J. Ross. My records reflect that H.J. Ross was chosen off the City list of approved engineering firms and we have two CRA resolutions authorizing their use. Also, #8 on Exhibit A shows Tip Top Enterprises - this was a vendor chosen by Public Works to move trees on an emergency basis that the Performing Arts Center was going to have destroyed. The CRA contributed up to \$10,000 toward the tree location at my request as Assistant City Manager. Thanks to the quick action of the CRA, many Royal Palms were saved on the morning that they were to be cut down and mulched and will eventually be installed on North Bayshore Drive when it is rebuilt. Had we insisted on competitive bids the trees would have been history. This is why administrators are given the responsibility to make decisions "outside the box" so that common sense can prevail when it is appropriate. One cannot go by the paperwork itself in every instance. The people who make the decisions should be held accountable to justify why the letter of the rule was not followed and if it makes sense, that should be the end of it.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800/Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 27, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDING - HOLLAND & KNIGHT (HK) - LEGAL SERVICES

Dear Mr. Valentin:

Please be advised that I have forwarded copies of this finding to both the General Counsel (Alejandro Vilarello) and Assistant General Counsel (Jim Villacorta) on August 21, 2003, for response.

Be advised that General Counsel has greatly reduced the use of outside Special Counsel for new cases or issues. Keep in mind that General Counsel makes the decision as to whether or not to assign a particular issue in-house or go to outside counsel. Also, all invoices are approved and/or adjusted as necessary by General Counsel and then reviewed by me prior to making payment. If I find an issue that is not clear to me, I confer with General Counsel to determine the appropriateness of the charge. As time goes by, I will become more familiar with the legal aspects and be able to participate in a more meaningful manner. In addition, Assistant General Counsel Jim Villacorta's office is now located on-site with CRA staff which has increased legal efficiency and cut down on travel to address CRA issues.

As to your specific finding of work being performed by HK on weekends, I am not sure of that significance. I do not believe there is an additional differential for work performed on the weekends as opposed to regular weekdays. On this particular issue, however, I will defer to General Counsel for comment.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

c: Alejandro Vilarello, CRA General Counsel
Jim Villacorta, CRA Assistant General Counsel

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami

ALEJANDRO VILARELLO
City Attorney



Telephone: (305) 416-1800
Telecopier: (305) 416-1801
E-MAIL: Law@ci.miami.fl.us

September 15, 2003

Mr. Frank K. Rollason, CRA Executive Director
City of Miami Community Redevelopment Agency
49 N.W. 5th Street, Suite 100
Miami, FL 33128

RE: CRA 2003 Audit Letter
Holland & Knight Legal Services

Dear Mr. Rollason:

This letter is prepared and offered by the City of Miami City Attorney's Office, in its capacity as General Counsel to the CRA, at your request and in response to the attached inquiry of the City of Miami's Office of the Auditor General. Your attention is specifically called to the fact that we have not made an independent investigation of the Southeast Overtown/Park West Community Redevelopment Agency or the Omni Redevelopment District Community Redevelopment Agency (collectively the "CRAs") in order to respond to the request for comment. This response is, therefore, based essentially upon the information contained in our files.

Item 1 (first bullet): While legal fees paid to the firm of Holland & Knight during the period October 1, 1998 through September 30, 2002 totaled \$934,518.00, there is no evidence of any competitive bid/RFP solicitation and the firm is engaged pursuant to an engagement letter which was not presented to the CRA Board.

Response: There is no legal obligation under the Code of the City of Miami or Florida law for the City, the CRA, or any City Agency to engage in a competitive bid, RFP solicitation, or any other procurement process for the purchase of legal services. See Article XVIII, Section 18-84 of the Code of the City of Miami; FL AGO 93-28 (In which Florida's Attorney General concludes that there is no requirement to competitively bid contracts for independent legal services) (copies attached).

The total amount of legal fees appears overstated as it includes amounts paid by the City of Miami to Holland & Knight for legal and nonlegal services, such as lobbying, that were provided to the City. (See responses to items 5 and 8 below).

OFFICE OF THE CITY ATTORNEY/444 S.W. 2nd Avenue, Suite 945/Miami, Florida 33130-1910

In any event, the redevelopment activities of the CRAs involve the agencies in varied and complex legal matters including: complicated real estate transactions, land use and eminent domain issues, statutory and regulatory interpretation, and complex civil litigation. The unique nature of the agency and the legal issues surrounding its activities call for specialized legal knowledge and expertise. Holland & Knight is recognized as having extensive experience and specialized knowledge in the law applicable to community redevelopment agencies. As noted, the firm has been counsel to the CRAs for some time and, in light of the turnover of CRA personnel, is often the only entity with the institutional knowledge to respond to the issues raised. Following the general practice in the industry, and the City's long-standing practice, the CRA hires law firms using engagement letters. The services of Holland & Knight are known to the Board, are utilized by the Board at meetings, and have been authorized by Board action. *See e.g.* resolutions SEOPW CRA R#00-127; R#00-128; Omni CRA R#00-65; R#00-66 (copies attached).

Finally, please note that the CRAs are separate and independent from the City and are specifically exempted from the City's procurement code by Article XVIII, Section 18-72 (a) (1) of the Code of the City of Miami (copy attached).

Item 2 (second bullet): Holland & Knight has provided a wide range of services including attending board meetings, attending staff meetings, drafting CRA legislation, and preparing agendas.

Response: The CRAs have reviewed their preference for forgoing hiring permanent staff in favor of using outside firms on an as needed basis. As you know, since 2000 the CRA has made greater use of the City's Law Department and has brought much of this work in-house by funding a staff attorney.

Item 3 (third bullet): Certain invoices for legal services were not reviewed by the Law Department prior to payment by the CRAs.

Response: To the extent these invoices were paid before the execution of the retention letter dated November 9, 2000, payment may have been made in accordance with the then Executive Director's understanding with the firm. The invoices that remained unpaid at the time of the execution of the retention letter were adjusted downward in a global compromise concomitant with the issuance of the retention letter. These invoices, constituting the bulk of the instances cited, may not individually indicate that they were reviewed as the fees were adjusted downward as a group adjustment. Since that time, the CRA should not have authorized payment of invoices that had not been reviewed by the Law Department.

Item 4 (fourth bullet): Duplicate payment.

Response: Due to a clerical mistake at the CRA a duplicate payment was made in the amount of \$7,945.64. The firm has refunded this amount.

Item 5 (fifth bullet): The City Commission by resolution R#01-987 authorized payment of up to \$75,000.00 in legal fees for representation by Holland & Knight in the case of the City of Miami and Southeast Overtown/Park West Community Redevelopment Agency v. *Sawyer's Walk LP*. Current fees in this matter exceed this amount by \$39,867.27.

Response: City Commission resolution R#01-987 evidenced the City's intent to participate in the cost of defense of this matter up to \$75,000.00. The CRA is responsible for the balance. In the absence of the City's resolution, the CRA would have had to bear the full cost of defending this matter. (Please note that this is a City Commission not a CRA resolution).

Item 6 (sixth bullet): The CRA by resolution R#00-128 authorized \$75,000 for general legal services for fiscal year 2001. Legal fees have exceeded this amount. "Was there another resolution issued by the City Commission addressing the excess of legal cost?"

Response: There are two CRAs each passing their own resolutions. SEOPW CRA resolution R#00-128, passed on December 18, 2000, authorized up to \$75,000 in fees to Holland & Knight for general legal services. On the same date the Omni CRA passed resolution R#00-66 authorizing up to \$75,000 in fees to Holland & Knight for general legal services. The CRAs are independent of the City of Miami and the City Commission does not pass resolutions addressing CRA legal fees.

Item 7 (seventh bullet): Holland & Knight was reimbursed \$7,896.07 for copies, telecopy and Westlaw expenses.

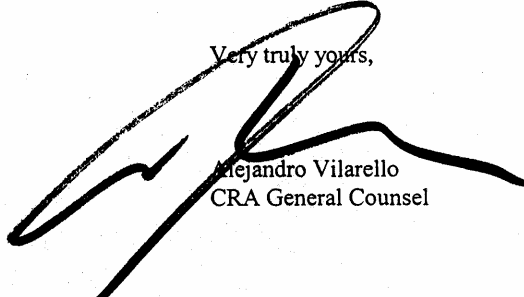
Response: To the extent these items were contained in invoices paid before the execution of the retention letter dated November 9, 2000, payment may have been made in accordance with the then Executive Director's understanding with the firm. The invoices that remained unpaid at the time of the execution of the retention letter were compromised by agreement of the City Attorney and the firm as part of a global, rather than line item compromise, of the amount outstanding. After November 9, 2000, the firm would not be entitled to reimbursement for Westlaw expenses; however, the firm is entitled to reimbursement for off-premises copying and long distance telecopy charges.

Item 8 (eighth bullet): The Miami City Commission by resolution R#98-1026 authorized payment of legal fees in the amount of \$50,000 to Holland & Knight to obtain the waiver of a deed restriction on Watson Island. Watson Island is outside the CRA boundaries. What funding sources were used?

Response: This is a resolution of the Miami City Commission retaining Holland & Knight to provide specialized legal services to the City for property owned by the City and located outside the CRA. The resolution specifically references a City account code for payment. The CRA has no involvement with this matter. The CRAs are independent of the City of Miami and the City Commission does not pass resolutions authorizing CRA legal fees.

Should you have any questions or comments please do not hesitate to contact me at (305) 416-1800.

Very truly yours,



Alejandro Vilarello
CRA General Counsel

cc: James H. Villacorta, Assistant City Attorney

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

October 16, 2003

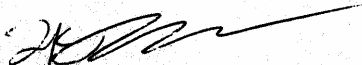
Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: AMENDED RESPONSE TO FINDINGS - HOLLAND & KNIGHT-LEGAL
SERVICES

Dear Mr. Valentin:

In response to your reply to my original October 10, 2003 letter on the above referenced subject, please be advised that the CRA has no additional legislation increasing the spending authority over the original authorized amount of \$150,000.00. Again, CRA Staff should have notified the Board of Directors of the additional expenses and requested approval via an amending Resolution.

Sincerely,


Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800/Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

October 10, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami


RE: RESPONSE TO FINDINGS: HOLLAND & KNIGHT - LEGAL SERVICES

Dear Mr. Valentin:

Following are responses to above referenced finding and are numbered to correspond to the original September 25, 2003 Finding Letter:

1. CRA Administrative Staff has reviewed the numbers presented in this item and find no information to contradict the information presented.
2. We have located two Resolutions (SEOPW Resolution No. 00-127 and Omni Resolution No. 00-65 - copies attached) which raise the \$175,000.00 authorization by \$15,000 to a total of \$190,000. In addition, attached you will find a copy of the transcript from the December 18, 2000 CRA Board meeting where these two Resolutions were approved. Based upon these amending resolutions and based upon your findings, it would appear that the adjusted amount without authorization is reduced to \$6,762.00.
3. Upon the completion and submittal of the ongoing Internal Audit, the CRA will submit this finding to Holland and Knight (H&K) and formally request an appropriate reimbursement as a resolution of this finding. Keep in mind that the CRA has not entered into formal negotiations with H&K to resolve any issues; we will not do so until the final audit report is issued in that details of audit findings, at this point, are to be kept as confidential information.

Sincerely,


Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800 / Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 9, 2003

Marie B. Severe, CIA
Senior Staff Auditor
Office of Auditor General

SUBJECT: RESPONSE TO FINDING – VERNON CLARKE AND RICHARD JUDY

Dear Ms. Severe:

In response to the findings letter referencing Vernon Clarke and Richard Judy, I offer the following:

Mr. Clarke's was initially assigned to work on the lease agreement between Miami Dade Transit Authority and Southeast Overtown Park/West Community Redevelopment Agency (SEOPW) under the premise of SEOPW R 00-24. SEOPW R 00-24 authorized the CRA to negotiate a lease agreement with MDTA for parking between 2nd and 3rd Avenue on the north side of 11th Street. Mr. Clarke was brought in for his technical expertise serving many years as a top administrator for the MDTA.

Later on, his scope of services was expanded to include studies of bus routing in the City of Miami.

However, no further documentation of justification or explanation was located to provide further information on the pay rate of Mr. Clarke.

Throughout Richard Judy's tenure with the CRA, the Board has assigned him several tasks including but not limited to: (1) consultant to SEOPW Master Plan Update, (2) County's Automatic Reverter Clause, (3) expansion of CRA boundaries and (4) technical expertise as it relates to CRA powers. On June 13, 2002, HJ Ross "adopted" Richard Judy as a subconsultant at a billable rate of \$150 per hour in SEOPW R 02-107/ Omni R 02-44. (His billable rate was \$50 more than his actual).

However, no further documentation of justification or explanation was located to clarify why Mr. Judy was being paid under HJ Ross.

Sincerely,

Frank K. Rollason
Executive Director

FKR:AP

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 9, 2003

Marie B. Severe, CIA
Senior Staff Auditor
Office of Auditor General

SUBJECT: RESPONSE TO FINDING – REGINALD GOUSSE

Dear Ms. Severe:

In response to your inquiry regarding Reginald Gousse, I have the following comments that will hopefully provide clarity. Mr. Gousse was introduced to the CRA when he provided an IT assessment of the CRA offices including but not limited to the efficiency of our computer network and office equipment services.

Operating under an unexecuted agreement, Mr. Gousse functioned as the IT Officer and was responsible for the scope of service included in his original proposal and all technical needs of the CRA including security and functionality of equipment.

CRA is connected to the City of Miami's Microsoft Exchange email server to which Mr. Gousse did not have administrative access. Therefore, many hours were spent with the City's IT department dealing with issues such as data transfer, network speed, data security, archival of information, etc.

No justification can be given for Mr. Gousse pay rate since that was the decision of the prior administration. Further, all submitted overtime must be included in timesheet with backup justifying hours then signed off by management. Finance should be able to provide you copies of these timesheets. I cannot add any information nor provide explanations as to the justification of disbursing funds to Mr. Gousse under HJ Ross Associates, Inc. My suggestion is that you may want to follow up with Ms. Annette Lewis who was the Acting Executive Director during the period in question.

Sincerely,

Frank K. Rollason
Execution Director

FKR/AF

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 18, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS - ADDITIONAL EXPENDITURES

Dear Ms. Severe:

In response to the above referenced findings the following responses are provided numbered to correspond to your original letter:

1) a). The Board of Directors approved this item for financial and technical assistance in the amount of \$15,000 at the September 2001 Board meeting under the premise that this art exhibit would act as a catalyst for economic development, attracting over twenty thousand serious art collectors from around the world, passing through CRA boundaries [see attached back up marked Item 1) a)].

1) b). These items mostly reflect reimbursements to staff for purchases made toward food/supplies for meetings held at the CRA offices, or within CRA boundaries, concerning projects, events, or Board Meetings. As host, the CRA was obligated to provide refreshments for its guests when meetings, especially when they lasted longer than expected. The remainder of the items were part of some form of technical assistance that went toward the showcasing of events (the limo for the "Back to School" event parade event held by the Overtown Masonic Lodge). A select few items were for overall maintenance of the office such as fuel for the CRA truck.

2. I have been unable to determine the history behind this item nor does current staff recall the background for this item.

3. This work was in conjunction with the Overtown Cultural and Technology Center (now referred to as the Miami Skills Center Project). At the time, the CRA was meeting with a number of individuals to gain insight on how to convert the Miami Skills Center into a culture and technology center. One of the individuals who the CRA met with included Mr. Mobley. During the discussion, the CRA indicated that in the future it may seek the assistance of Mr. Mobley to participate on the project concept. However, there

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

Response to Audit – Additional Expenditures

July 18, 2003

Page 2

was some miscommunication and Mr. Mobley produced a work product that he claimed that both he and another consultant worked on. At the time, it was the decision of the CRA Executive Director to pay Mr. Mobley for the deliverable although the work was not authorized by the CRA (copy attached marked as Item 3).

Sincerely,



Frank K. Rollason
Executive Director

FKR/ap

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 2, 2003

Ms. Marie Severe
Senior Staff Auditor
Office of Auditor General

SUBJECT: RESPONSE TO FINDING - COMPUTER LEASE

Dear Ms. Severe:

We are in concurrence with the initial findings of the internal audit referencing the Gateway computer leases. Inventory has been taken on all computers, furniture, and office equipment in February of this year. This list is continually maintained and monitored for updates.

Further, all staff are now required to sign out equipment such as cameras and pagers for the duration of their use (via equipment assignment form) conveying them full responsibility for its safety and maintenance.

The stolen laptops, referenced in your findings letter, were assigned out to Dipak Parekh, as the Executive Director and Chelsa Arscott, as the Agenda Coordinator. Although both are reported, no documentation of such can be located. The CRA will reimburse Gateway for the total cost of the machines through our property/liability coverage or from the current budget when the lease ends in September 2003.

We agree that purchasing the least expensive desktops would prove cost-efficient. It is the intention of the CRA to purchase such desktops at the end of the Gateway lease in October 2003 off of the State Contract with units approved by the City's Information Technology Department.

Sincerely,

Frank K. Rollason
Executive Director

FKR/AT

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 19, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDING - PROJECT FILES AND COST
ACCOUNTING SYSTEM

Dear Ms. Severe:

In response to your audit finding letter dated June 16, 2003, I submit the following:

I concur with your finding that no formal Project File/Cost Accounting System is currently in place. Since January 2003, the CRA has initiated a Project File System which is mostly manual and requires constant coordination between the Capital Projects Staff, the Financial Staff, City Staff, and myself to keep copies of the appropriate documents in the correct section of the project file.

In addition, please be advised that the CRA has hired the CPA firm of Harvey, Branker & Associates, P.A., as of February 24, 2003, and one of their tasks is to recommend and establish a Project Cost Accounting System for future use.

Sincerely,

Frank K. Rollason
Executive Director

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COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
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City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

September 9, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami


RE: SUPPLEMENTAL RESPONSE - CHANGE ORDERS/CONSTRUCTION OF
PARKING LOTS AND BIDS/QUOTATIONS ETC. - TLMC

Dear Ms. Severe:

Following are responses to Items 1, 2, and 3 from your August 12, 2003 Findings Letter on the above referenced subject:

1. Change Orders were issued by CRA Administration for items that were left off Bid Tabulation Sheets (irrigation, lighting, and fencing). I have been advised that these Change Orders were reviewed by General Counsel prior to being issued.
2. TLMC was already mobilized on other CRA parking lots under construction. It was cost effective to utilize TLMC in that they were already mobilized and since the new lot would replicate Parking Lots 2, 3, & 4 which were of similar design and utilized similar construction methods as that of Parking Lot 5. The decision on the selling price of Parking Lot 5 was made by the SEOPW Board as a result of the single bid submitted for the lot upon recommendation of the CRA Administration.
3. This item is currently under investigation by outside agencies and as such, I have no comment.

Sincerely,


Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800/Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 27, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS - CHANGE ORDERS/CONSTRUCTION OF
PARKING LOTS AND BIDS/QUOTATIONS ETC. - TLMC

Dear Ms. Severe:

Attached please find a response to the above subject finding prepared by our engineering consultants H.J. Ross. Please advise if additional information is required.

Sincerely,

Frank K. Rollason
Executive Director

Enc.

FKR/ap

TYLIN INTERNATIONAL / H.J. ROSS

August 20, 2003

Frank K. Rollason, Executive Director
City of Miami Community Redevelopment Agency
49 NW 5th Street, Suite 100
Miami, FL 33128

RE: TLMC Work Orders

Dear Frank:

The CRA advertised for selection of Construction Management (CM) at Risk contractors and made selections between fall 2001 and spring 2002. The selection process was handled by the Pre-qualification Committee who issued the RFQ and received qualification packages from various CM at Risk candidates that were approved vendors of the City of Miami at the time. The committee ranked the proposals and the results were: First - DBI, Second - MCM Corp. and Third - TLMC Enterprises.

The Director of Construction Management of the CRA at the time (David Hernandez) determined that DBI would perform projects that involved highly complex specialty tasks such as design, remodel and/or demolition of interior spaces of existing structures, particularly with historic buildings. MCM would perform projects of moderate complexity such as expansion of existing buildings, reconstruction, and new construction projects, as well as major site development. TLMC would perform projects involving minor construction, repairs and short-term projects.

The following are Work Orders that the Office of Auditor General requested documentation or justification for not going through a bidding process for services:

1. Work Order No. 528 – TLMC was the contractor on parking lots P-2, P-3, P-4 & P-5, and the CRA wanted to have the contractor to prepare the as-built drawings of the project. The CRA and the City of Miami Building Department required as-built drawings. The original construction proposal from TLMC did not include preparation of as-built drawings, since this is usually part of the designer's responsibility. The designer in this case, did not prepare the as-built set required by the Building Department in order to close the permits. The release of documents to TLMC was completed and a final signed and sealed as-built set was prepared and delivered to CRA by TLMC (on file).

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201 Alhambra Circle, Suite 900 • Coral Gables, FL 33134 • Telephone: (305) 567-1888 • Facsimile: (305) 567-1771

TYLIN INTERNATIONAL / HJ-ROSS

Frank K. Rollason
August 20, 2003
Page 2 of 2

2. Work Orders No. 532 and 539 – These Work Orders were issued to the three qualified CM at Risk (DBI, MCM and TLMC) to prepare assessments and detailed proposals and bids of work to be done at Just Right Barbershop and Two Guys Restaurant. The reports and bids from the three CM at Risk on both projects are on file.
3. Work Order No. 538 – TLMC prepared signed and sealed plans for the fencing project at Mt. Zion Historic Church. The signed and sealed set of plans is on file. This was considered a minor project.
4. Work Orders No. 536, 537, 550 and 551 – There was a major security concern arising at the Entertainment District. Removals of debris, trimming and cutting branches of trees (to increase illumination) and the removal of exposed railroad tracks at alleyway area, were part of the efforts to ameliorate the hazards for pedestrians. These security issues were raised after violence occurred in the area. This was a high priority short-term job.
5. Work Order No. 541 - TLMC prepared signed and sealed plans for the fencing project at St. John Church. The signed and sealed set of plans is on file. This was considered a minor project.
6. Work Order No. 568 – Asphalt pavement was needed at the Lyric Theater for a Commission Meeting. This was an emergency job to be completed in a short time period.

Attached are copies of Request For Services, Proposals and Work Orders for your information. Please call me if you have any questions.

Sincerely,



Charles K. Deeb, P.E.
Vice President

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City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 18, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS - CIVIL CADD ENGINEERING - MISC.
ENGINEERING SERVICES

Dear Ms. Severe:

As you are aware, the CRA and Civil Cadd are currently involved in litigation over services ordered, services rendered, and the status of deliverables for which the CRA made payment. In that, my reply to this set of inquiries will become public record once the City's Auditor General submits his final report, I am reluctant to answer these questions without our general counsel's review and advice.

I am forwarding your request for response to CRA General Counsel for his review and advice.

Sincerely,

Frank K. Rollason
Executive Director

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c: Mr. Charles Mays, Assistant City Attorney
Mr. Jim Villacorta, Assistant General Counsel for the CRA

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

^{12 JRL}
August 6, 2003

Miguel Valentin
Senior Internal Auditor
Office of Auditor General

SUBJECT: RESPONSE TO INTERNAL AUDIT - MARLINS BALLPARK
STADIUM ANALYSIS

Dear Mr. Valentin:

In response to the above referenced findings the following responses are provided numbered to correspond to your original letter:

The May 21, 2001 CRA Board meeting approved all ten consultants listed in your letter via ratification for the purposes of the site analysis associated with the relocation of the Marlin's Ballpark Stadium. (See attached.)

In response to the request for reports substantiating payment for each consulting service, please clarify this request. Generally, all vendors must submit back up documentation supporting their invoices for payments to be processed and as well additional reports and/or electronic presentation distributed to staff. However, many consulting services include attendance at meetings, expert opinions and other non-tangible items. You are welcome to view any analysis and/or reports received by consultants. Please let me know when you are available.

Sincerely,

Frank K. Rollason
Executive Director

FKR/AP

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

October 14, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS - MARLINS BALLPARK STADIUM ANALYSIS

Dear Mr. Valentin:

In response to your October 6, 2003, letter concerning the Marlins Ballpark Stadium Analysis, the following is submitted:

1. We have not located any additional legislation approved by the CRA Board of Directors authorizing expenditures to Bermello, Ajamil & Partners in excess of the original approved amount of \$14,443.71 by SEOPW CRA Resolution No. 01-30. It would have been the responsibility of the CRA Administration to alert the Board of expenditures in excess of the original authorized amount and to bring ratifying legislation before the Board for approval.
2. Attached, you will find copies of all action by the Board of Directors that we were able to locate on this subject.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800 / Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 19, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDINGS - CELLULAR PHONE STIPEND

Dear Mr. Valentin:

In response to your audit finding letter (no date) received in my office on June 19, 2003, I submit the following:

Since January 2003, the cell phone stipend practice has been reviewed and was stopped in March for all employees except myself as the Executive Director and my Chief of Staff. Though my Chief of Staff is not an Executive position, I did not seek Board approval, nor did I think I had to, in authorizing the assignment of this cell phone. Neither myself nor the Chief of Staff position receive a stipend, but rather the CRA pays the cell phone bill directly. The cell phones for staff were replaced with two-way pagers which have proved more that adequate to address the issue of prompt communication among staff positions when in the field or during evening hours and weekends.

Within the body of the above referenced letter, you have requested, "the cellular phone stipend documentation for the period October 1, 1998 through September 30, 2000 and if such information is not available, please provide a written explanation." This date, I have requested Staff to provide whatever documentation may be available in concert with this request. If any such documentation is located, it will be provided to you immediately.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 25, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDING - CELLULAR PHONE AND LONG
DISTANCE

Dear Ms. Severe:

Although, I cannot confirm nor refute the documents that you have submitted on this finding nor your conclusions reached from the documents presented, the current Administration has taken the necessary steps to prevent this type of apparent abuse since January 2003 and in the future.

As it specifically relates to the Cingular Wireless invoices addressed to Annette Lewis, this phone was assigned to the Architect Intern. He has confirmed that all long distance and personal use calls were reimbursed to the CRA when the invoice came in each month.

Sincerely,

Frank K. Rollason
Executive Director

FKR/AP

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 27, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
City of Miami Office of the Auditor General
444 SW 2nd Avenue, 7th Floor
Miami, Florida 33130

Re. Neko Grant Trip to the Bahamas

Dear Ms. Severe:

As described in your letter the purpose of Tax Increment Financing is for the elimination and or prevention of slum and or blight. The projects that were assigned to Mr. Grant were for this purpose. The purpose for the Bus benches were to remove the blighted and dilapidated ones that existed in the redevelopment area and replace them with bus benches that were not of a typical bus bench, but one with a Bahamian flair that would be transcendent of the first settlers of the community who were Bahamian.

The gazebo was done as a result of an outcry of the community for the lack of meeting space within the community. As a result, in its mission to eliminate slum and blight, the CRA tentatively selected blighted lots that could be used for an open-air gazebo, and asked Mr. Grant to develop an original design with sketches that would serve as a landmark within the community once again transcendent of the Original Settlers.

Sincerely,


Frank K. Rollason
Executive Director

FKR/NG/ap

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 2, 2003

Ms. Marie Severe
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDINGS - PAYMENT TO HOLLAND AND KNIGHT
FOR NEKO GRANT

Dear Ms. Severe:

In response to the above referenced finding, please be advised:

1. Sponsorship of individuals for this type of services is customary by both private and public sectors and, in fact, individuals requesting such assistance from U.S. Immigration must have an employer sponsor. The CRA determined, at the time, that Mr. Grant possessed skills necessary to achieve the mission of the CRA and thus sponsored the preparation and filing of the necessary applications for him to obtain temporary worker status.
2. Attached you will find a packet of back-up documentation from both the CRA General Counsel and the CRA Special Counsel who were involved with this particular issue to include approved and signed off invoices by CRA General Counsel.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 28, 2003

Marie B. Severe, CIA
Senior Internal Auditor
Office of Auditor General

SUBJECT: RESPONSE TO AUDIT – BOOKS/PUBLICATIONS

Dear Ms. Severe:

In response to your findings in the above referenced documents, please note my response to the following items:

- 1) Seven sets of books were purchased from the Government Finance Officers Association with the purpose of providing one set per board member, one for the then- Executive Director/CFO Annette Lewis and one additional unassigned set. These sets of books discussed fund balance, budgeting and other finance issues specifically designed for elected officials—as the title(s) states. The purchase of the books were prompted from the June 26, 2002 board meeting when the external auditors (KPMG) suggested board members have a workshop to accumulate the board and CRA staff on the particulars of GASB 34.
- 2) Congressional Quarterly magazines were purchased with the intent of gaining up-to-date information on legislative issues key to our realm of government. The magazines arrived monthly and were stored in binders which cannot be located at this time.
- 3) In order to respond accurately as to the purpose of this purchase, please provide more detailed information besides the printout of the payment from SCI, such as the packing slip or invoice. Otherwise, we have no knowledge of this item.
- 4) Pursuant to resolution Omni R-01-36, which authorized the CRA to expend up to \$15,000 for the Amistad America project, the CRA purchased books about the event as an educational and promotional tool.

Enclosed are the books I was able to locate. Be advised that my position is not that the CRA does not have or ever had the material in question but only that we are unable to produce it at this time.

Sincerely,

Frank K. Rollason
Executive Director

FKR/AT

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

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ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 9, 2003

Ms. Marie Severe
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDINGS: FESTIVALS/ENTERTAINMENT & OTHER ACTIVITIES

Dear Ms. Severe:

In response to the above reference findings, please be advised that responses below match by number your original inquiry:

1. The Board of Directors has long taken the approach that many social and cultural events help the mindset of local residents of the CRA in that they have a heritage to be proud of and a sense of community. A sense of community is one of the first steps in revitalizing a long neglected area and goes a long way in establishing a mind set that slum and blight can, and must, be removed in order for a community to improve. Section IV. M. 4. of the SEOPW Redevelopment Plan specifically speaks to the need for a Sense of Community and lists multiple various community events as examples which help create and restore this element.
2. The bulk of the books are here at the CRA in storage. I am not quite sure of why they were originally purchased, nor can staff members give me an exact reason.
3. Staff has advised me that this particular expenditure was in connection with the Masonic Lodge back to school event held in August of 2001.
4. I received the following two responses from staff on this issue:
 - a. There were purchases made by CRA employees who were reimbursed by the CRA. Certain retail stores/hotels would not accept the TAX ID EXEMPTION form an employee (even if they showed their employee ID card) unless the item being purchased was paid for by a corporate card issued to the CRA or invoiced directly to the CRA. As such, when the employee submitted their receipt, they were reimbursed for the sales tax that was charged. Since then, the CRA obtained a corporate card for Office Depot and have subsequently made hotel bookings in advance so that the CRA can be invoiced

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300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

*Response to Internal Audit Findings
Festivals/Entertainment and Other Activities
July 8, 2003
Page 2*

directly rather than have the employee pay for their lodging and get reimbursed (from Chelsa Arscott).

b. In response to the Auditor's request of June 30, 2003, Item #4, there were taxes paid on the Office Depot purchases. I called Office Depot to see how this account was set up - they informed me that it was set up as an exempt contract account therefore they will reverse the tax charges after they receive a written request on our letter head that should be faxed to 801-779-7425. The person I spoke to is named Cheryl at extension 4206 (they do not give out their last names). I asked her why we were charged (tax) and she responded that sometimes when orders are placed on-line this happens or if the cashier at the store does not look thoroughly at the account it can be easily overlooked. I then spoke to Sandy at extension 84353, and she gave me a tax exempt number that she says should be recited to the cashier at the time of purchase (from Percilla Kelsey).

5. I have examined the back-up documents presented and find several conflicts between the backup documents and the questions in your letter. First, I find no check number 299343; however, I do find a check number 292343 referenced on two invoices that total \$178.00. Two of the hotel rooms appear to be at the same time in Miami (Dec 18-19, 2000), with the third one for August 7-11, 2000, in Baltimore, Maryland. I also find no backup which references a "Fortunat Wilki" and, therefore, cannot comment on this issue. I spoke to Ms. Hilda Tejera of my staff who informed me that both of the rooms at the Grand Doubletree used on December 18-19, 2000 were for staging of equipment and supplies for the CRA Board meeting and Holiday party. The room identified for Mr. Tony Marietta was supplied to him for storing of his musical instruments and changing of costumes. The CRA Executive Director, at the time, authorized these expenditures. The person who stayed at the Omni Hotel in Baltimore was CRA employee Charlayne Thompkins, Director of Fiscal Operations. I do not know the reason for the stay.

Sincerely,



Frank K. Rollason
Executive Director

FKR/ap

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 7, 2003

Marie B. Severe, CIA
Senior Staff Auditor
Office of Auditor General

SUBJECT: RESPONSE TO FINDING - HAITIAN ART FESTIVAL FISCAL YEAR
ENDED 2002


Dear Ms. Severe:

I have been informed by staff, that the picture frames referenced in the finding letter, were a result of the Haitian Art Festival.

Most of the pieces transported directly from Haiti were on canvas only; therefore CRA (per SEOPW Resolution 02-34) contributed to the exhibition by purchasing picture frames for the artwork. With few exceptions, the majority of the artwork was returned to the artists at the end of the exhibition.

Also note, as part of the executed consignment agreements between artists and the Southeast Overtown Park/West and Omni CRAs, dated March 2002, all artists were required to donate one (1) piece of artwork to the CRA. Therefore, there are several pieces of framed artwork sporadically placed along the CRA office walls which are framed as a result of the CRA funding the framing portion.

Sincerely,


Frank K. Rollason
Executive Director


FKR/AP

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 30, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDING - RENTAL OF MASONIC LODGE

Dear Ms. Severe:

The CRA entered into a month to month lease agreement (copy attached) with New Providence Lodge, Inc., on March 31, 2003, as authorized by SEOPW Resolution No. 03-14 (copy attached) passed by the Board of Directors on February 28, 2003, and retroactive to December 1, 2002. In January of 2003, the current CRA Administration determined that adequate legislation was not in place to support the then on-going lease arrangement and brought this issue before the Board of Directors to authorize the retro-payments and to allow the lease to go forward on a month to month basis. The previous lease agreement approved by the Board of Directors called for a \$500 per month payment to secure the premises "during a planning period not to exceed 18 months" and that "the subject agreement be made retroactive to June 1, 2001" (June 1, 2001 through December 1, 2002). Payments to the lodge under the old agreement were stopped by the current administration until proper Board authorization was obtained on February 28, 2003.

Since the new lease agreement has been entered into, the current CRA Administration has been going forward with the Board direction to design and perform site improvements to enable the Overtown NET Office to move from its current location at the Overtown Shopping Center to the leased space at the New Providence Lodge. The CRA has been in contact with the City's Department of Economic Development to enter into another lease between the City and the New Providence Lodge, Inc., for the NET office once the build-out provided by the CRA was designed and constructed. Those negotiations are ongoing.

As late as May 28, 2003, I had a conversation with the City Administrator about the plans of moving the Overtown NET Office into the New Providence Lodge location once construction was completed. He indicated to me during our conversation that he was not leaning toward moving the Overtown NET Office to this location. On May 29, 2003, I

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

Response to Finding - Rental of Masonic Lodge


June 30, 2003

Page 2 of 2

informed the City Administrator via e-mail (copy attached - #7) that I was going to inform the CRA Board Chairman of his position and that I needed a firm commitment one way or the other before I would go forward with any design work. On May 29, 2003, the City Administrator sent me a reply e-mail (copy attached) in which he stated that, "it is not in our plans to relocate the NET office now, but once we do the restructure of all Nets, this could be a possibility". Based upon that non-committal statement, I have stopped all design work and will not go forward with any additional expenses toward this project unless or until I receive a firm commitment on the part of the City to occupy said space. On June 18, 2003, I sent a follow-up e-mail to the City Administrator (copy attached) wherein I mentioned that I had spoken on the issue with CRA Board Vice Chairman Johnny Winton and that Vice Chairman Winton had instructed me to request that he (the City Administrator) personally meet with CRA Board Chairman Teele to discuss the situation and advise me of the outcome. On June 20, 2003, I sent a follow-up e-mail (copy attached) to Mr. Ignacio Ortiz-Petit of the City Administrator's staff requesting a status of the June 18th e-mail. To date, I have received no official reply to my inquiries. On June 24, 2003, I spoke with Mr. Ortiz-Petit on this subject at City Hall while attending a Special Commission Meeting. Mr. Ortiz-Petit informed me that the City Administrator had not yet had the opportunity to speak with the CRA Chairman about this subject, but that "it was on his list".

So, at this point the CRA is continuing to keep the month to month lease in effect and will continue to do so for another month or so. If in that period of time, I do not get a firm commitment from the City to occupy this space for the Overtown NET Office, I will formally revisit the issue with the CRA Board of Directors for further direction.

Sincerely,



Frank K. Rollason
Executive Director

FKR/ap

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

September 24, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

ARTIST RE: REVISED RESPONSE TO FINDINGS - ARTIST IN RESIDENCE

Dear Ms. Severe:

Following is a revised response to my original response of September 18, 2003, to your faxed letter of September 17, 2003, in that one of the potential findings was satisfied and removed from consideration as a final finding.

ARTIST IN RESIDENCE (Earnest King): First, I have confirmed that the CRA only possesses the eight paintings enumerated in the back-up sent to me in your above referenced fax. All eight are on display in the CRA offices at 49 NW 5th Street. Secondly, this item is under investigation by various outside law enforcement agencies and as such, I have no further reply to your inquiry.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800/Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami

VICTOR I. IGWE, CPA, CIA
Auditor General



Telephone: (305) 416-2040
Telecopier: (305) 416-2046
E-Mail: iag@ci.miami.fl.us

September 23, 2003

Frank K. Rollason, Executive Director
Community Redevelopment Agency (CRA)
49 NW 5 Street Suite100
Miami, Florida 33128

Re: Artist in Residence Program at the Dorsey House

Dear Mr. Rollason:

As part of the ongoing audit of the CRA, which was directed by the City Commission, we are requesting confirmation of the following:

It is our understanding that the Dorsey House, located at 250 NW 9 Street, was used solely and exclusively for the "Artist in Residence Program" (Ernest King) during the period of June 2000 through June 2001. Please indicate whether our understanding is correct by signing below.

If you have any questions, I can be reached at (305) 416-2049.

☒ Yes, the information listed above is correct
TO THE BEST OF MY KNOWLEDGE

[Signature] 9/23/03
Signature Date

☐ No, the information listed above is incorrect

Signature Date

[Signature]
Marie B. Severe, CPA, CIA
Senior Staff Auditor
Office of Auditor General

C: Victor Igwe, CPA, CIA, Director, Office of Auditor General
File

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

July 22, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS – MANAGEMENT OF FIXED ASSETS

Dear Mr. Valentin:

I have numbered the bullets in your letter so that the following responses correspond to the same numbers.

1. Be advised that CRA Staff will update the inventory list as best we can substantiate. As I informed you several days ago, much of the furniture was donated by either City or County facilities and has almost no value; same with the furniture that we obtained from the Police and Firemen's Pension Office. Once the list is updated, we will provide a copy to you.
2. The omission of the Chevrolet pick up truck was an oversight on the part of the individuals preparing the new inventory list. The new list was prepared by the individuals going from room to room physically listing each piece of furniture and equipment and no one thought of the truck. Keep in mind that the inventory list provided to me when I arrived in January of this year contained only 107 items and the subsequently created inventory list contains close to 600 items (596 as of 7/15/03). The fact that the vehicle was missed is not a big deal to me; it was an oversight, not a deliberate attempt not to account for an item.
3. The computer equipment that was taken home by a CRA employee (Ms. Susana Gutierrez) was at my authorization and was not for personal use as stated in your finding letter. Ms. Gutierrez utilized this equipment in the performance of her job in the evening hours and on the weekends. The reason you found this equipment was at her house is because the inventory list showed it there, so if for some reason equipment showed up "missing" the inventory would show where it was last assigned. Ms. Gutierrez served as my Chief of Staff and as such, I did not require her to sign for the equipment that I suggested she take home to make the hours on her laptop a little more comfortable, although, she did sign for all items with the exception of the docking station (copies attached). To set the record straight, she had a docking station, a fax/printer with cable, and a flat screen monitor. She did not have a set of speakers from the CRA at her home. After her

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

Responses to Findings – Management of Fixed Assets

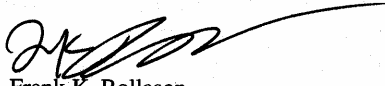
July 22, 2003

Page 2

death, I personally picked up this equipment and returned it to the CRA offices and had the inventory updated to reflect its new location. This is the same equipment that I showed you locked up in a controlled room of which only myself and two others have access.

4. The Kodak Digital Zoom Camera has reported missing/lost in January 2003. A disposition form was completed and attached for your review. The HP 14 GB External Hard Drive, Logitech Cordless KB Mouse, and the base of the Motorola bad charger are located in the CRA offices and available for you to view at any time; the extension cord to the charger was never turned in with the base. The gold vase referenced in your letter is not the property of the CRA—but of Hilda Tejera, a part time employee and will be removed from our inventory list.
5. The laptop (Omnibook Pentium III) can not be located. Previous CRA employee Reginald Gousse states it was sent to IT (see attached email) and IT says it is back with the CRA.

Sincerely,



Frank R. Rollason
Executive Director



FKR/AP/ap

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 13, 2003

Marie Severe
Senior Internal Auditor
Office of Auditor General

SUBJECT: RESPONSE TO FINDINGS - LACK OF PERSONNEL POLICY

Dear Ms. Severe:

In response to the audit finding titled 'Lack of Personnel Policy', it seems that the terms "consultants" and "temporaries" are used interchangeably; which would make this finding erroneous.

Generally, consultants are used for their expertise in their respective related fields. The CRA hires several consultants each year as it relates to the planning, development and execution of our redevelopment plans. In that respect, consultants are required to do many of the services stated in the finding letter such as review work orders, conduct site visits and attend meetings.

Temporary employees are brought onto staff to assist in the continuity of an efficiently operated and functioning office, providing administrative services such as telephone coverage and filing. In SEOPW R-02-7, the CRA Board authorized the Executive Director to hire additional staff for the transcription of board minutes with the position being located in the Clerk's office.

We agree a formal personnel policy would create delineation with staff positions and are currently working on creating an administrative policy including job descriptions and salary ranges. Further, CRA has assessed the need for additional experienced staff such as the Comptroller position which has been included in next year's budget.

Although the CRA has been plagued in the past with high staff turnover, particularly in the "lack of continuity of employment at the Executive Director [position]", it is the intention of the CRA to re-structure and reformat the organizational chart, workflow processes, etc. until we are on track and operating as efficiently as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank K. Rollason".

Frank K. Rollason
Executive Director

FKR/AR

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

September 4, 2003

Marie B. Severe, CIA
Senior Staff Auditor
Office of Auditor General

SUBJECT: LACK OF RELEVANT PRIOR WORK EXPERIENCE AND/OR CREDENTIALS
RELEVANT TO THE POSITION ASSIGNED

Dear Ms. Severe:

In response to your above-referenced letter, I offer the following response as previously addressed in the memo titled "Lack of Personnel Policy." Allow me to reiterate:

The CRA has been plagued in the past with high staff turnover, particularly in the 'lack of continuity of employment at the Executive Director [position]'; therefore, it has proven difficult to recruit and maintain such essential positions necessary of a CRA.

A formal personnel policy would create delineation with staff positions. We are currently working on creating an administrative policy including job descriptions and salary ranges. Further, CRA has assessed the need for additional experienced staff in such positions as the Comptroller and Urban Planner.

The neighborhood liaison position is vacant.

Let me state, while I agree completely with the findings of the audit in respect to the lack of prior work experience and/or relevant credentials, the employees holding the positions have proven diligent and indispensable to the operational mode of the office. It would be only prudent for the newly appointed Executive Director to keep staff with institutional knowledge of the CRA's legislation, projects and operations as a resource.

Further, the City of Miami's job classifications should be provided as suggestive samples only and not the basis of determining whether a person possesses the proper qualifications for said title since the CRA is not mandated by the same governing laws as the City of Miami.

Once again, it is the intention of the CRA to re-structure and reformat the organizational chart, workflow processes, etc. until we are on track and operating as efficiently as possible.

Sincerely,

Frank K. Rollason
Executive Director

FKR/AT

COMMUNITY REDEVELOPMENT AGENCY
49 NW 5th Street, Suite 100 / Miami, FL 33128
305-679-6800 / Fax: 305-679-6835
Web: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 19, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDING - PERSONNEL FILES

Dear Ms. Severe:

I acknowledge and agree with the findings of the auditor in that personnel files were incomplete. However, since this initial discovery, many of the files referenced have been updated with the required documentation. It is our intention to update the remainder of files and set controls within the office to ensure new files are properly documented, where applicable.

Sincerely,


Frank K. Rollason
Executive Director

FKR/AP

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 19, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDING - PAYROLL RECORDS

Dear Mr. Valentin:

In response to your audit finding letter dated June 17, 2002 (should be 2003), I submit the following:

Your finding reflects a general disregard for sound accounting principles and practices. Since being appointed as the Executive Director (January 2003), I have been signing off on all payroll summary sheets for those personnel who report directly to me and initialing those that are signed off and approved by other supervisory personnel.

In addition, please be advised that the CRA has hired the CPA firm of Harvey, Branker & Associates, P.A., as of February 24, 2003, and one of their tasks is to recommend and establish a Payroll Accounting System which meets current standards of the industry.

On the item of the missing payroll supporting documentation for the period of October 1, 1998 through September 30, 1999, per my direction on this date, Staff is attempting to locate what is available. If any documentation is located, it will be provided to you immediately.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

June 19, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO AUDIT FINDING - SEVERANCE PAYMENT, ADDITIONAL
COMPENSATION AND CONSULTANTS

Dear Ms. Severe:

At this point, I cannot concur or refute your findings. I have to accept them at their face value and note that all but the issue involving Mr. David Hernandez are long ago history. I will follow-up on the Hernandez issue of him being paid an additional \$1,000.00 per month from the CRA with no Board authorization. If that turns out to be the fact, then I will prepare a Resolution for the Board of Directors of the CRA ratifying a previous Executive Director's actions in granting this salary enhancement.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 14, 2003

Ms. Marie B. Severe, CIA
Senior Staff Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS - BUDGET DOCUMENTS

Dear Ms. Severe:

In response to your findings in the above referenced document, please be advised that the following action has **ALREADY** been taken by the CRA:

1. The CPA firm of Harvey, Branker & Associates (HB&A) has been hired as of February 24, 2003, as authorized by the CRA Board of Directors (SEOPW Resolution No. 03-05 and Omni Resolution No. 03-04 - both adopted January 27, 2003) for the purpose of developing and implementing financial policies and procedures for the CRA Administration. At present, and for the past several months, a manual encumbrance system has been implemented whereby no expenditure requests go before the Board that have not already had the funding source identified and "locked out" so that the identified funds cannot be utilized for another request thus eliminating the multiple use of the same funds for additional projects. The work of HB&A is in progress and will include addressing the issues outlined in your findings.
2. In reference to your inquiry as to complying with Miami-Dade County budget reporting requirements, my letter of June 24, 2003, to Assistant County Manager Tony Crapp, Sr. (copy included in your August 8, 2003 Finding Letter) speaks for itself. Currently, HB&A (Mr. Carlton Branker) is working with Miami-Dade County (Mr. Jurgen Teintze, Budget Analyst) to resolve the outstanding budget issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank K. Rollason".

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 4307, Miami, Florida 33131 / (305) 579-3324 / Fax (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

City of Miami



ARTHUR E. TEELE, JR.
Chairman

FRANK K. ROLLASON
Executive Director

August 29, 2003

Mr. Miguel A. Valentin, CPA
Senior Internal Auditor
Office of the Auditor General for the City of Miami

RE: RESPONSE TO FINDINGS - CLUB SPACE GRANT-\$50,000 & CLUB EXILE
LOAN-\$42,557.03

Dear Mr. Valentin:

Following please find responses with numbers corresponding to your above referenced findings.

1. CLUB SPACE: This item is under investigation by the States Attorney's Office and as such, I have no comments at this point in time. I will tell you that the \$50,000 grant was issued by the CRA as a reimbursement for a proof of payment to WASA provided by Club Space - the grant was not issued for them to use to pay WASA, but rather to reimburse Club Space for a payment they had already made. This item was covered in detail within my August 19, 2003 letter, RE: AMENDED RESPONSE TO FINDING NO. 5 - CRA LOAN RECEIVABLES ANALYSIS.

2. CLUB EXILE: This item was addressed in my August 15, 2003 letter, RE: RESPONSE TO FINDING - CRA LOAN RECEIVABLES ANALYSIS (Item No. 3). This item is still being evaluated by General Counsel as to the course of action to be taken by the CRA. It is the CRA's intent to recover the loaned amount, but you can see by the position of the attorney (Attachment #3 within my August 15th letter) representing Club Exile that these funds were in the form of a grant and that his client never executed any instrument which "either promises or requires repayment". Simply stated, our position is that it was a repayable loan and their position is that it was a grant.

Sincerely,

Frank K. Rollason
Executive Director

FKR/ap

COMMUNITY REDEVELOPMENT AGENCY
300 Biscayne Boulevard Way, Suite 430 / Miami, Florida 33131 / (305) 579-3324 / Fax: (305) 372-4646
E-mail: cra@ci.miami.fl.us / Website: www.miami-cra.org

EXHIBIT I
SOUTHEAST OVERTOWN PARK WEST
COMMUNITY REDEVELOPMENT PLAN (EXCERPTS)
DECEMBER 1982 AND AS AMENDED IN 1985

Redevelopment Objectives:

Based upon the analysis of existing conditions, established community priorities, the regional housing market and the dynamics of Downtown Miami, redevelopment objectives have been developed as a policy framework for preparing the redevelopment plan. The objectives relate closely with the development concept which has been evaluated and tested for feasibility. Thus, the following specific objectives reflect only what has been determined to be feasible and practical and consistent with overall redevelopment objectives of the City of Miami.

Overtown (Redevelopment Plan)

- Better employment opportunities and upward job mobility for residents.
- Provide opportunities for Blacks to manage and own business.
- Maintain existing business and attract new business.
- Stress rehabilitation of existing housing.
- Replace dilapidated housing
- Provide opportunity for residents to continue to live in Overtown
- Promote home ownership and new housing for moderate income families and encourage an income mix in all housing.
- Improve the delivery of human services
- Emphasize crime prevention and maintain security in the area.
- Restore a sense of community and unify the area culturally.
- Promote the orderly use of land
- Preserve historic building and sites.
- Provide better transportation link to employment and service centers.

EXHIBIT I (CONTINUED)

Park West (Miami Park West: A Redevelopment Program for Downtown Miami)

- Remove slum and blight conditions.
- Reinforce the property tax base.
- Encourage day and night activities in Downtown Miami
- Reduce travel distance for Downtown workers
- Resolve existing and future transportation conflicts.
- Maximize environmental assets.
- Minimize adverse impacts on existing viable commercial and industrial uses serving the Port and Downtown.
- Reinforce public investment in Bayfront and Bicentennial Park and transit facilities.
- Expand housing choices for Downtown workers.
- Encourage a comprehensive large scale redevelopment of Park West.
- Provide linkages with adjacent planned uses.

Overall Redevelopment Area (Southeast Overtown/Park West)

- Integration of the physical redevelopment activities programmed for Park West and Overtown.
- Establish a mechanism for community participation in monitoring the redevelopment process.
- Assure concurrent redevelopment of both the Overtown and Park West segments of the redevelopment project.
- Better economically integrated housing opportunities within the Park West area.
- Establish strong policies and programs for Black participation in the redevelopment process (jobs, contracts, equity, etc.).
- Maximize redevelopment opportunities within the portion of Overtown south of the Metro-rail alignment.

EXHIBIT II
OMNI AREA
COMMUNITY REDEVELOPMENT PLAN (EXCERPTS)
DECEMBER 1986

Redevelopment Objectives

Redevelopment objectives have been formulated to serve as guiding principles for preparing the Omni Area Redevelopment Plan. They were derived from the analysis and evaluation of existing conditions and the issues affecting future development of the area. These objectives also reflect established community priorities and overall development of the City of Miami.

Issue: Slum and Blight Conditions

Objectives

- Prove incentives for redevelopment of blight properties.
- Eliminate conditions which contribute to blight.
- Promote rehabilitation and maintenance of existing viable uses and structures.
- Achieve orderly and efficient use of land.

Issue: Economy

Objectives

- Maximize existing public investments.
- Reinforce the property tax base
- Create economic magnets to draw more businesses to the Omni area to complement (without competing with or diminishing) established activities in the surrounding area.
- Promote concentration of similar business activities that reinforce each other and improve the area-wide economic climate.
- Provide for the development and/or relocation of downtown support service uses in selected location within the redevelopment area.

Issue: Public Infrastructure and Amenities

Objectives

- Provide adequate public utilities and services for the area's residents and businesses.
- Provide a system of public open spaces.
- Maximize access and views to Biscayne Bay.

EXHIBIT II (CONTINUED)

- Encourage preservation and restoration of historic buildings.
- Enhance the area's visual attractiveness to businesses and residents.
- Emphasize crime prevention and improve security in the area.
- Encourage the Dade County School System to retain and improve Miramar Elementary as a neighborhood school serving local residents.

Issue: Housing and Social Needs

Objectives

- Maximize conditions for residents to continue to live in the area.
- Achieve rehabilitation of the maximum feasible.
- Provide incentives for construction of new housing to attract downtown workers.
- Improve the delivery of human services.
- Provide employment opportunities and upward job mobility for residents.
- Provide opportunities for minorities and women to manage and own businesses.
- Minimize condemnation and relocation.

Issue: Traffic and Circulation

Objectives

- Resolve existing and future transportation conflicts.
- Set priorities within the transportation network for pedestrians, cars, service and transit vehicles.
- Improve access to existing and planned major activity areas such as the central Business District and Civic Center.
- Support construction of the Omni Extension of the Metro-mover system.
- Provide adequate parking to serve the needs of area residents, visitors, and employees.